

**THE IMPLEMENTATION OF THE INTERNAL AUDIT PROVISIONS OF THE PUBLIC
FINANCE MANAGEMENT ACT (ACT NO. 1 OF 1999): A CASE OF THE SOUTH
AFRICAN SOCIAL SECURITY AGENCY**

by

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DEDICATION

I dedicate this study to the following people:

- My late sister, Lorraine Sambo, who was with me at all my graduations and always encouraged me to study further.
- My mom, Nelly Sambo, and my dad, Patrick Sambo, who instilled the value and importance of education in me from a young age.
- My sister, Portia Sambo, for always being there for me.
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- To God, for giving me the strength to start and finish this study, To Him be the Glory.

DECLARATION

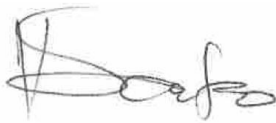
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I declare that the above thesis is my own work and that all the sources that I have used or quoted have been indicated and acknowledged by means of complete references.



26/06/2018

SIGNATURE

DATE

ABSTRACT

The study reported in this thesis considered the implementation of the internal audit provisions of the Public Finance Management Act (Act No. 1 of 1999) or PFMA at the South African Social Security Agency (SASSA). A review of literature pointed to the scarcity of research that focuses on the role that an effective internal audit function could play in advising management, when it comes to the institution of internal controls, in developing countries such as South Africa. In this context, the study emphasised the importance of internal controls that should be recommended by an internal audit function, specifically for purposes of averting financial misconduct. Thus, the problem statement for the study was articulated as follows: The existence of an internal audit function at SASSA has not resulted in improved internal controls, which contribute to the curbing of financial misconduct.

Consequently, the main research question for the study was: What are the necessary conditions under which the internal audit function at SASSA could be improved? Using agency theory, the study conceptualised an internal audit function as an important part of internal management controls that functions by reviewing, evaluating and making recommendations for the improvement of other controls within an institution, with the ultimate aim of promoting good governance. The research design and methodology for the study were qualitative, as it was necessary to get the views of the respondents on the various themes covered in the interview schedules and survey questionnaire. The case study design was employed as the operational framework for data collection.

The data collection techniques employed in the study were personal one-on-one interviews with two sets of senior managers, a survey questionnaire comprising open-ended questions, and a focus group discussion. The four data sets were collected as follows: one-on-one personal interviews with senior internal audit managers, interviews with other senior managers in some of the Agency's areas that have been identified as strategic high-risk areas, a survey questionnaire that was completed by junior internal audit managers, as well as a focus group discussion with managers from the supply chain management department.

The population for the study was purposefully selected to achieve one of the key objectives of purposive sampling, namely ensuring that some diversity is included in a sample in order to allow for the influence of differences in respondents' views due to the

positions that they occupy.

As per the requirements of a doctorate, this study contributes at two levels: a theoretical and an empirical level. At theoretical level, the researcher developed data collection instruments, which other researchers could improve and use. At empirical level, the contribution of the study is a conceptual framework for the implementation of an internal audit function. The framework identifies the 18 conditions that must be in place for an internal audit function to be effective. In addition, the researcher makes recommendations for amendments to the PFMA and/or Treasury Regulations: PFMA. These recommendations will benefit all public institutions. It is thus believed that the study will make an important contribution towards efforts aimed at improving the internal audit function in the South African public sector at large. This is important, as the PFMA requires internal audit functions to assist accounting authorities with recommendations pertaining to the maintenance of effective controls. Internal audit functions have to evaluate these controls to determine their effectiveness and efficiency. Following that, they should develop recommendations for enhancement or improvement.

Keywords: internal audit function, internal auditors, policy implementation, public finance, financial misconduct, PFMA, Treasury Regulations, SASSA, internal controls, internal audit effectiveness

NKOMISO LOWU NGA NA VUXOKOXOKO BYA NDZAVISISO

Dyondzondzavisiso leyi ku vikiwaka yona eka *thesis* leyi yi langutile ku humelerisiwa ka swipimelo swa oditi ya le ndzeni ya nawu wa *Public Finance Management Act 1 of 1999* kumbe *PFMA* eka nhlango wa *South African Social Security Agency (SASSA)*. Nkambelo wa matsalwa (lithirecha) leyi faneleke wu paluxile nkalo wa ndzavisiso lowu tshikilelaku miehleketo eka ntirho lowu oditi ya le ndzeni leyi fikelelaka wu nga vaka na wona eka ku tsundzuxa vufambisi, loko swi ta eka ku tumbuxa vulawuri bya le ndzeni eka matiko lama ya ha hluvukaka tanihi Afrika-Dzonga. Eka xiyimo lexi, dyondzondzavisiso leyi yi tshikilela nkoka wa vulawuri bya le ndzeni lebyi faneleke ku bumabumeriwa hi ntirho wa oditi ya le ndzeni, ngopfungopfu hi xikongomelo xa ku sivela matikhomelo yo biha eka swa timali. Hikwalaho, xitatimende xa mbulaxiphiko (problem statement) xa dyondzondzavisiso leyi xi vile hi ndlela leyi: *The existence of an internal audit function at SASSA has not resulted in improved internal controls, which contribute to the curbing of financial misconduct.*

Hikwalaho, xivutisokulu xa ndzavisiso lowu xi vile lexi: *What are the necessary conditions under which the internal audit function at SASSA could be improved?* Hi ku tirhisa thiyori ya ejensi (*agency theory*), dyondzondzavisiso leyi yi anakanyile ntirho wa oditi ya le ndzeni tanihi xiyenge xa nkoka xa vulawuri bya le ndzeni lexi tirhaka hi ku pfuxeta (*reviewing*), ku kambela (*evaluating*) na ku endla swibumabumelo swo antswisa vulawuri byin'wana endzeni ka instituxini, hi xikongomelo xo tlakusa mafambiselo na vulawuri lebyinene. Dizayini ya ndzavisiso na methodoloji (research design and methodology) swa dyondzondzavisiso leyi, swi tirhise *qualitative*, hikuva a swi laveka ku va ku kumiwa mavonelo ya vaanguri eka mikongomelo yo hambana-hambana leyi angarheriwaka eka tixejulu ta inthavhiyu na nxaxamelo wa swivutiso leswi tsariweke swo valanga (*survey questionnaire*). Ku tirhisiwile dizayini ya *case study* tanihi rimba ro tirha hi rona eka ku hlengeleta data.

Tithekiniki to hlengeleta data leti ti nga tirhisiwa eka dyondzondzavisiso leyi a ti ri tiinthavhiyu ta munhu hi wun'we wun'we, (*personal one-one one interviews*), na tisetse timbirhi ta timanejara ta xiyimo xa le henhla, nxaxamelo wa swivutiso leswi tsariweke (*questionnaire*) swo valanga a ku ri swivutiso swo pfuleka na nkanelo na ntlawa wo karhi (*focus group discussion*). Tisetse ta data leti ta mune ti hlengeletiwe hi ndlela leyi: tiinthavhiyu ta munhu hi wun'we wun'we na timanejara ta xiyimo xa le henhla ta oditi ya le ndzeni; tiinthavhiyu na timanejara ta xiyimo xa le henhla tin'wana eka swin'wana swa

swivandla swa Ejensi leswi swi nga kumiwa swi ri swivandla leswi nga le ka khombo swinenenene; nxaxamelo wa swivutiso leswi tsariweke swa mbalango lowu, xi tatisiwe hi timanejara ta xiyimo xa le hansi ta oditi ya le ndzeni; na nkanelo hi ntlawa wo karhi na timanejara ta le ka ndzawulo ya vulawuri bya nandzelelano wa mafambiselo ya mphakelo (*supply chain management department*).

Ntsengo wa vanhu (*population*) wa dyondzondzavisiso leyi wu hlawuriwe hi xikongomelo xa ku fikelela xin'we xa swikongomelokulu swa vusampuli byo va na xikongomelo, ku nga, ku tiyisisa leswaku ku va na ku katsiwa ka swo hambana-hambana eka sampuli ku pfumelela nkucetelano wa swo hambana-hambana eka mavonelo ya vaanguri hikwalaho ka swivandla leswi va nga le ka swona.

Hilaha dyondzo ya vudokodela yi lavaka hakona, dyondzondzavisiso leyi yi hoxa xandla eka tilevhele timbirhi: levhele ya thiyori na levhele ya vumbhoni bya ndzavisiso ku nga empirikali (*empirical*). Eka levhele ya thiyori, mulavisisi u tumbuluxile switirhisiwa swo hlengeleta leswi valavisisi van'wana va nga swi antswisaka no swi tirhisa. Eka levhele ya empirikali, leswi dyondzondzavisiso leyi yi nga hoxa xandla eka swona i rimba ra mianakanyo ro humelerisa ntirho wa oditi ya le ndzeni. Rimba leri ri komba swiyimo swa 18 leswi swi faneleke ku va kona ku va ntirho wa oditi ya le ndzeni wu va na vuyelo lebyi faneleke no tirheka. Ku engetela kwalaho, mulavisisi u endla swibumabumelo swo cinca swin'wana eka *PFMA* na/kumbe *Treasury Regulations: PFMA*. Swibumabumelo leswi, swi ta vuyerisa tiinstitutuxini hinkwato ta mfumo. Hikwalaho, ku tshembiwa leswaku dyondzondzavisiso leyi, yi ta hoxa xandla hi ndlela ya nkoka eka matshalatshala lama nga na xikongomelo xa ku antswisa ntirho wa oditi ya le ndzeni eka xiyenge xa mfumo hi ku angarhela eAfrika-Dzonga. Leswi i swa nkoka, hikuva *PFMA* yi lava mitirho ya oditi ya le ndzeni ku pfuneta vulawuri bya vutihlamuleri bya mitirho ya ku langutana na mahlamuselelo na matirhiselo ya timali (*accounting authorities*) hi swibumabumelo mayelana na ku hlayisa swilawuri leswi nga na vuyelo lebyinene. Mitirho ya oditi ya le ndzeni yi fanele ku kambela vulawuri lebyi ku vona mpimo wa vuyelo lebyinene na ku tirheka ka swona hi ndlela leyi faneleke. Ku landza sweswo, va fanele ku tumbuluxa swibumabumelo swo tlakusela ehenhla kumbe ku antswisa.

Maritokulu: ntirho wa oditi ya le ndzeni (*internal audit function*), tiuditara ta le ndzeni (*internal auditors*), ku humelerisa pholisi (*policy implementation*), nkwama wa rixaka (*public finance*), matikhomelo yo biha eka swa timali (*financial misconduct*), *PFMA*,

(*Treasury Regulations*), SASSA, swilawulo swa le ndzeni (*internal controls*), vuyelo lebyinene no tirheka kahle ka oditi ya le ndzeni (*internal audit effectiveness*)

TSHOBOKANYO

Thuto e go begilweng ka ga yona mo kakanyotheong eno e tsere tsia go tsenngwa tirisong ga ditlamelo tsa boruni jwa ka fa gare tsa Molao wa Botsamaisi jwa Ditšhelete tsa Setšhaba (Molao wa bo1 wa 1999) kgotsa PFMA kwa Setheong sa Tshireletsego ya Loago sa Aforikaborwa (SASSA). Tshekatsheko ya dikwalo tse di maleba e supile tlhalelo ya patlisiso e e tsepameng mo seabeng se se ka tsewang ke tiro ya boruni jwa ka fa gare jo bo nonofileng mo go gakololeng botsamaisi, fa go tla mo go diriseng ditaolo tsa ka fa gare mo dinageng tse di tlabologang tse di tshwanang le Aforikaborwa. Ka bokao jono, thutopatlisiso e gatelela botlhokwa jwa ditaolo tsa ka fa gare tse di tshwanetseng go atlenegiswa ke tiro ya boruni jwa ka fa gare, bogolosegolo mo go efogeng maitsholomabe mo go tsa ditšhelete. Ka jalo, polelo ya bothata ya thutopatlisiso eno e ne ya tlhagisiwa ka tsela e e latelang: Go nna teng ga tiro ya boruni jwa ka fa gare kwa SASSA ga go a dira gore go nne le ditaolo tsa ka fa gare tse di tokafetseng, tse di tshwaelang mo go thibeleng maitsholomabe mo go tsa ditšhelete.

Ka ntlha ya seo, potso e kgolo ya patlisiso mo thutopatlisisong eno e ne e le: Seemo se se tlhokegang se mo go sona tiro ya boruni jwa ka fa gare mo SASSA e ka tokafadiwang ke sefe? Go diriswa tiori ya boemedi, thuto e akantse tiro ya boruni jwa ka fa gare jaaka karolo ya botlhokwa ya ditaolo tsa botsamaisi jwa ka fa gare jo bo dirang ka go sekaseka, go lekanyetsa le go dira dikatlenegiso tsa tokafatso ya ditaolo tse dingwe mo teng ga setheo, ka maikaelelo a bofelo a go tsweletsa taolo e e siameng. Thulaganyo le mokgwa wa patlisiso ya thuto e ne e le e e lebelelang mabaka, jaaka go ne go le botlhokwa go bona dikakanyo tsa batsibogi mo dithitokgannyeng tse di farologaneng tse di akareditsweng mo mananeong a dipotsolotso le lenane la dipotso tsa tshekatsheko. Go dirisitswe thulaganyo ya thutopatlisiso e e lebelelang seemo mo pakeng e e rileng jaaka letlhomeso la tiragatso ya kgobokanyo ya *data*.

Ditheniki tsa kgobokanyo ya *data* tse di dirisitsweng mo thutopatlisisong eno e ne e le dipotsolotso tsa motho ka namana ka disete di le pedi tsa batsamaisi ba bagolwane, lenane la dipotso tsa tshekatsheko le le nang le dipotso tse di sa lekanyetseng dikarabo, le puisano ya setlhopha se se tlhophilweng. Go kokoantswe disete tsa *data* di le nne ka tsela e e latelang: dipotsolotso tsa motho ka namana tsa batsamaisi ba boruni jwa ka fa gare ba bagolwane; dipotsolotso le batsamaisi ba bangwe ba bagolwane mo dikarolong

dingwe tsa Setheo tse di supilweng jaaka tse di nang le matshosetsi a a kwa godimo; lenane la dipotso tsa tshekatsheko le le tladitsweng ke batsamaisipotlana ba boruni jwa ka fa gare go tswa mo lefapheng la botsamaisi jwa theleso.

Go tlhophilwe setlhopha sa thutopatlisiso go lebeletswe mabaka go fitlhelela nngwe ya maikemisetso a botlhokwa a go tlhopha sampole go ya ka maitlhommo a thutopatlisiso, e leng go netefatsa gore go akarediwa dipharologantsho mo sampoleng gore go nne le tlhotlheletso ya dipharologano mo dikakanyong tsa batsibogi ka ntlha ya maemo ao bona.

Go ya ka ditlhokego tsa dithuto tsa bongaka (doctorate), thutopatlisiso eno e tshwaela mo magatong a mabedi: legato la tiori le le ka netefadiwang (empirikale). Mo legatong la tiori, mmatlisisi o ne a tlhama didiriswa tsa kgobokanyo ya *data*, tse e leng gore babatlisisi ba bangwe ba ka di tokafatsa, mme ba di dirisa. Mo legatong la empirikale, tshwaelo ya thutopatlisiso ke letlhommo la dikakanyo tsa go tsenngwa tirisong ga tiro ya boruni jwa ka fa gare. Letlhommo le supa maemo a le 18 a a tshwanetseng go nna gona gore tiro ya boruni jwa ka fa gare e atlege. Go tlaleletsa, mmatlisisi o atlenegisa gore go nne le dipaakanyo tsa PFMA le/kgotsa Melawana ya Lefapha la Matlole: PFMA. Dikatlengiso tseno di tlaa ungwela ditheo tsotlhe tsa setšhaba. Ka jalo go dumelwa gore thutopatlisiso eno e tlaa nna le tshwaelo ya botlhokwa mo maitekong a a ikaeletseng go tokafatsa tiro ya boruni jwa ka fa gare mo lephateng la setšhaba ka kakaretso mo Aforikaborwa. Seno se botlhokwa, jaaka PFMA e tlhoka gore ditiro tsa boruni jwa ka fa gare di thuse bothati jo bo rweleng maikarabelo ka dikatlengiso tse di malebana le go tsweletsa ditaolo tse di nonofileng. Ditiro tsa boruni jwa ka fa gare di tshwanetse go lekanyetsa ditaolo tseno go tthomamisa nonofo le bokgoni jwa tsona. Go latela seo, go tshwanetse ga dirwa dikatlengiso tsa tokafatso.

Mafoko a botlhokwa: tiro ya boruni jwa ka fa gare, baruni ba ka fa gare, go tsenngwa tirisong ga pholisi, ditšhelete tsa setšhaba, maitsholomabe mo go tsa ditšhelete, PFMA, Melawana ya Lefapha la Matlole, SASSA, ditaolo tsa ka fa gare, nonofo ya boruni jwa ka fa gare

ACRONYMS AND ABBREVIATIONS

ACL:	Audit Command Language
AU Commission:	African Union Commission
AGSA:	Auditor General of South Africa
ARV:	antiretroviral
B-BBEE:	Broad-Based Black Economic Empowerment Act (Act No. 53 of 2003)
CAE:	chief audit executive
CEMS:	College of Economic and Management Sciences
CEO:	chief executive officer
CFO:	chief financial officer
C-M:	council manager
CPI:	Corruption Perceptions Index
CPS:	Cash Paymaster Services
DPSA:	Department of Public Service and Administration
DSD:	Department of Social Development
FMB:	Financial Misconduct Board
GAAP:	Generally Accepted Accounting Principles
GDP:	gross domestic product
GEAR:	Growth, Employment and Redistribution
GNU:	Government of National Unity
GRAP:	Generally Recognised Accounting Practices
HIV:	human immunodeficiency virus
HR:	Human Resources
ICT:	information and communication technology
IFAC:	International Federation of Accountants
IIA:	Institute of Internal Auditors
IIARF:	Institute of Internal Auditors Research Foundation
IIA SA:	Institute of Internal Auditors South Africa
IoDSA:	Institute of Directors in Southern Africa
IPPF:	International Professional Practices Framework

ISPPIA:	International standards for the professional practice of internal auditing
IT:	information technology
JA:	junior internal audit manager
JSE:	Johannesburg Stock Exchange
MBO:	management by objectives
MEC:	member of executive committee
NDP:	National Development Plan 2030
NDPP:	National Director of Public Prosecution
NPM:	new public management
NPO:	not-for-profit organisations
NRF:	National Research Foundation
ODI:	Overseas Development Institute
PFMA:	Public Finance Management Act (Act No. 1 of 1999)
PPPFA:	Preferential Procurement Policy Framework Act (Act No. 5 of 2000)
PPPs:	public–private partnerships
PSC:	Public Service Commission
RDP:	Reconstruction and Development Programme
RRA:	Rwanda Revenue Authority
RSA:	Republic of South Africa
SA:	senior internal audit manager
SAIRR:	The South African Institute for Race Relations
SASSA:	South African Social Security Agency
SCM:	supply chain management
SDGs:	Sustainable Development Goals
SLA:	service level agreement
SO:	other senior manager
UN:	United Nations
Unisa:	University of South Africa

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CHAPTER ONE

GENERAL INTRODUCTION

1.1. INTRODUCTION

In this chapter, the background and rationale for the study will be explained, as this will inform the relevance and importance of the research. The research questions will be outlined to demonstrate what the research sought to establish, as well as to provide a clear and manageable demarcation of the research. From the research questions, the objectives for the study were deduced, as will be explained. This will be followed by a brief discussion of the research design, the methodology and the data collection techniques used in the study.

The terminology used throughout the study will be defined to provide the readers with an opportunity to refer back to this section, should there be a need to do so. All research has to consider the applicable ethical considerations of the university where it is conducted, therefore, the ethical considerations for the study will also be explained. The chapter closes with an outline of the chapters comprising this thesis.

The next section discusses the background and rationale for the study.

1.2. BACKGROUND AND RATIONALE FOR THE STUDY

Public financial management by government institutions is becoming increasingly important internationally. South Africa is not immune to global developments, and the advent of democracy in 1994 brought with it major changes to fiscal policy and financial accountability. Ajam and Aron (2007:752) highlight that the fiscal reform initiatives, which aimed at, amongst other things, increasing transparency of administration as well as reorienting government spending to the social sector, were first enunciated through government's macroeconomic programmes. These programmes were the Reconstruction and Development Programme (RDP), which was launched in January 1994, and the Growth, Employment and Redistribution (GEAR) strategy, introduced in June 1996. From a public financial management perspective, reforms were given substance by the introduction of the Public Finance Management Act (Act No. 1 of 1999) (Republic of South Africa [RSA], 1999a), hereinafter referred to as the PFMA. The implementation of the PFMA initiated the move from an input-orientated expenditure

control system, under the previous Exchequer and Audit Act (Act No. 66 of 1975) (RSA, 1975), hereinafter referred to as the Exchequer Act, to a more performance-orientated system (Ajam & Aron, 2007:752).

Mboweni (2000:3) observed that since 1994, South Africa introduced broad changes to domestic, political and socio-economic structures. After years of isolation, sanctions were lifted and investment in the country was on the increase. Investment opportunities that opened up played a key role in enabling South Africa to reintegrate into the global economy. The South African government introduced reforms aimed at correcting past imbalances, as well as ensuring a fair distribution of services amongst its citizens. In order to achieve the goal of distributing services fairly amongst all citizens, it was important to have uniform legislation that manages public finances, while discouraging waste and corruption in the use of public financial resources. This was necessitated by the fact that the apartheid regime concentrated its efforts on providing services to only a few citizens based on race (Mboweni, 2000:3). Some of the notable reforms on public financial management relate in particular to budget reforms. According to Khalo and Fourie (2006:131), the transformation and modernisation of public financial management in South Africa, which have been taking place since 1994, were based on fundamental foundations such as transparency, accountability and the incorporation of policies, which led to an all-inclusive budgeting system aimed at accelerating service delivery.

Bekker (2009:5) notes that the legacy of apartheid had resulted in a public service that was lacking in legitimacy, professionalism, representation as well as a culture conducive to delivering quality services to all South Africans. The challenge for the democratic dispensation, therefore, was to change the culture that existed in the public service during the apartheid era, and to create a culture of professionalism by public servants in the new democratic public service. Furthermore, the democratic principles guaranteed in the Constitution of the Republic of South Africa of 1996,¹ hereinafter referred to as the Constitution of 1996, needed to be advanced.

As noted above, the first step that the democratic government took to correct the shortcomings of the apartheid government in relation to financial management was the

¹ At this point, it is also necessary to point out that the Constitution of 1996 was previously referred to as the Constitution of the Republic of South Africa Act (Act No. 108 of 1996). The reference to the Constitution of 1996 as an Act of Parliament was found to have been an administrative mistake because the Constitution of 1996 was passed by the Constitutional Assembly and not by Parliament (Van Heerden, 2007:33).

introduction of the PFMA. When the PFMA is juxtaposed with its predecessor, the Exchequer Act (Act no. 66 of 1975), it becomes clear that the Exchequer Act needed to be replaced. The objective of the Exchequer Act was to regulate the collection, receipt and control of property and monies of the state (RSA, 1975:2). This objective indicates that the Act was input- and control-orientated rather than results-orientated. The implication of this approach to financial management was that public financial management was rules-driven and inflexible. Consequently, there was an inability to focus on managing public funds for the delivery of services in an efficient and effective way (Walker & Mengistu, 1999:58). The above shortcomings necessitated the replacement of the Exchequer Act by the PFMA.

The promulgation of the PFMA, therefore, was a positive step in promoting fiscal discipline and transparency in the management of public finances. The PFMA, read together with the Treasury Regulations of 2005 on the implementation of the Act and the Public Audit Act (Act No. 25 of 2004) (RSA, 2004b) provide the necessary guidance for effective financial management. Consequences of not adhering to the PFMA are also stated in the Act itself. The PFMA is clear in its intention to legislate for an efficient and effective public financial management system. The rules-driven and prescriptive nature of the Exchequer Act thus necessitated the passing of legislation that provides a framework for an efficient and effective public financial management system that eliminates waste in the use of public financial resources and corruption (Bekker, 2009:11).

The main objectives of the PFMA, therefore, are to streamline the system of financial management in the public sector and empower public sector managers to manage, but at the same time to be held more accountable. In addition, the aim of the PFMA is to ensure that the financial information provided by public institutions is of high quality, is provided on time, and that waste and corruption in the use of public finances are eliminated (RSA, 1999a:1). The PFMA, thus, aims to promote the effective and efficient use of financial resources.

Bekker (2009:15) emphasises that the PFMA has played a key role in better and consistent reporting, improved financial management, and detailed reports that provide additional information on how public funds are spent within the national and provincial spheres of government. This is because the PFMA is performance- and output-orientated, among other things. The PFMA stipulates that accounting officers in departments and

accounting authorities in public entities are required to submit measurable objectives for each main division within a departmental budget vote. In addition, the accounting officers and accounting authorities are required to account for progress made on the aforementioned measurable objectives in their annual reports. This should assist in ensuring accountability and service delivery.

The PFMA, therefore, is one of the most important pieces of legislation that the democratic government has promulgated, as it legislates for the effective and efficient use of public financial resources, in order to enable the provision of public services to all South Africans (Bekker, 2009:15). The current study focused on the internal audit sections of the PFMA (sections 76 & 77) and considered the role that an internal audit function could play in making recommendations for the institution of internal controls, which would contribute to a reduction in cases of financial misconduct at the South African Social Security Agency (SASSA). Several authors have explained the role of an internal audit function using agency as well as communication theories. Firstly, an agency relationship is regarded as a contract that is entered into between leaders of an institution and its management (Al Mamun, Yasser & Rahman, 2013:38; Khaled & Mustafa, 2013:92). Managers are regarded as agents of the leaders, and as such, perform work on behalf of the leaders. However, there is a possibility that the managers may deviate from conducting their duties in the manner expected, and instead pursue their own interests. This situation can be monitored by the presence of corporate governance mechanisms, such as audit committees, external and internal auditors who can ensure that managers perform their duties as expected by the leaders (Al Mamun *et al.*, 2013:38; Vafaei & Christopher, 2014:7).

Secondly, communication theory argues that the existence of effective communication between internal auditors and auditees, and between members of a public institution at large is important in strengthening internal audit effectiveness. To this end, the manner in which internal auditors communicate their findings is critical. For example, if internal auditors communicate their findings in a way that auditees perceive as accusatory or only identifying weaknesses, this may break trust between internal auditors and auditees, which may in turn create communication barriers. Effective communication is thus critical, and the communication process should focus on relaying only necessary information, in a clear, simple and meaningful way, as well as on creating mechanisms for feedback (Alzeban & Sawan, 2013:445; Khaled & Mustafa, 2013:94–95).

Khaled and Mustafa (2013:92) highlight that there is a lack of research that evaluates the effectiveness of the internal audit function, when compared to external auditing. Furthermore, there is a need for research in this area, especially in developing countries, where the internal audit function could play a critical role in preventing unethical conduct, such as fraud (Badara & Saidin, 2014b:177; Khaled & Mustafa, 2013:92). The current study aimed to address this gap, using SASSA as a case study. In this context, the code of ethics for internal auditors has to be considered (cf. section 4.11). The code of ethics exists for promoting an ethical culture in the profession of internal auditing, as the profession is based on a trust relationship that must exist between the function and the auditees (Allen, Hemming & Potter, 2013:378–379).

After 23 years of democracy and 18 years of PFMA implementation, the researcher considered the time opportune for this study to have been conducted. The context of the present work is the distribution of social grants, since SASSA is an agency of the Department of Social Development (DSD), tasked with distributing and paying social grants to 31% of the country's population (SASSA, 2017:24). The Overseas Development Institute (ODI) (2011:3) remarks that South Africa has the largest and best developed social security system in Africa, where social assistance programmes amount to 3.2% of the gross domestic product (GDP) (National Treasury, 2018:62). It is within this context that the researcher found this study necessary, as financial misconduct represents one of many institutional risks at SASSA. Examples of these include financial loss, when money meant for grant payments is lost and not recovered due to irregularities and fraud (cf. Table 6.1). The importance of the work done by SASSA, as highlighted above, thus makes it necessary for its internal audit function to be effective. In this regard, an effective internal audit function would make recommendations for the institution of internal controls, in order to prevent or reduce cases of financial misconduct.

The study was an empirical one, and aimed to make an original contribution to both the discipline and practice of Public Administration and its sub-field Public Finance. Lovitts and Wert (2009:4) define an original contribution to knowledge as that which offers a novel or new perspective, something that has not been done, found, proved or seen before. An original contribution therefore, adds to knowledge, changes the way people think, informs policy and moves the field forward. In order to achieve this goal, a researcher has to develop an original insight, advance or borrow a contribution from another discipline, and apply it to his or her field for the first time. This study sought to

contribute at the two levels required of a doctoral study, that is, theoretical and empirical levels (cf. section 7.5).

1.3. PROBLEM STATEMENT AND RESEARCH QUESTIONS FOR THE STUDY

Pauw, Woods, Van der Linde, Fourie and Visser (2002:2) argue that concerning financial management, the public and private sectors are becoming increasingly similar. This is evident in the public sector with managers being required to have financial management skills. These were previously thought to be necessary only for managers in the private sector. The only difference in this regard is the indicators used to measure the performance of managers in the private and public sectors. The private sector mainly measures performance based on profit whereas the public sector has other measures, such as service delivery and the effective and efficient use of public financial resources (Pauw *et al.*, 2002:2). The way in which public financial resources are used therefore has a direct influence on the delivery of public services.

Allen *et al.* (2013:374) posit that the internal audit function is an important part of internal management controls, and it functions by reviewing, evaluating and making recommendations for the improvement of other internal controls within an institution. The role of internal auditing is thus two-fold. Firstly, it provides a leader of a public institution with an objective and independent opinion on the trustworthiness of operations of the institution. Secondly, the findings and recommendations of an internal audit function should provide management of a public institution with input that enables them to take corrective action in an effort to improve the effectiveness of the operations of the institution and its overall internal controls.

The PFMA, as a policy framework for public financial management in South Africa, requires all public institutions to have internal audit functions. Section 51(1) of the PFMA lists the general responsibilities of accounting authorities of public entities such as SASSA, and one of these is that they must establish a system of internal audit that is managed by an audit committee. The system of internal audit should comply with and operate according to regulations and instructions stipulated in sections 76 and 77 of the PFMA. Section 76 of the PFMA lists all the matters on which the National Treasury may make regulations or issue instructions. Section 77 stipulates the composition of audit committees (cf. section 4.3).

Pauw *et al.* (2002:329) cite that there has been an increase in the number of cases of unethical behaviour by public officials in the South African government. Furthermore, the transition that has taken place in South Africa from apartheid to democracy, whereby the democratic government has allocated a sizeable budget for social assistance programmes and various infrastructure projects, has created opportunities for misconduct/malfeasance to thrive. Several authors have thus highlighted that when governments in general enter into contracts with private companies in the provision of public services, this creates corruption vulnerabilities (Anechiarico & Jacobs, 1995:173; Fijnaut, 2002:9; Pauw *et al.*, 2002:329).

On the other hand, Kolthoff, Huberts and Van den Heuvel (2007:20) emphasise the importance of care being taken to ensure that when the public sector contracts out to private companies, this should take place in an effective and ethical manner. In such cases, an internal audit function could play the role of assisting management with identifying substantial control failures and formulating recommendations for improvement (Sarens & De Beelde; 2006:464). In the case of SASSA, the Auditor-General of South Africa (AGSA) (2016:139–140) mentions that during the period under review SASSA achieved an unqualified audit outcome, with findings on compliance with legislation. The findings on compliance with legislation related to a form of financial misconduct, that is, irregular expenditure, which was recorded at just over R1 billion up from R93 million during the 2014/15 financial year. Irregular expenditure refers to expenditure that is incurred in violation of applicable legislation such as the PFMA, the State Tender Board Act (Act No. 86 of 1968) (RSA, 1968) and any other legislation that informs procurement procedures (RSA, 1999a:8). The recorded irregular expenditure highlighted above, could be an indication of lapses of internal controls, which could be a contributory factor to increased financial misconduct. From the above, a problem statement for the study was formulated as follows: The existence of an internal audit function at SASSA has not resulted in improved internal controls that contribute to the curbing of financial misconduct.

The findings of the study will address a real-life problem of financial misconduct, which can be located within the so-called ‘world one’ or ‘world of everyday life’ (cf. Figure 5.1).

Consequently, the main research question for the study was:

What are the necessary conditions under which the internal audit function at SASSA could be improved?

The sub-research questions, for the study were as follows:

1. What has been published on the internal audit function and financial misconduct?
2. What has been published on public policy implementation, new public management and governance?
3. What is the nature of the statutory and institutional framework for the internal audit function and financial misconduct?
4. What is the most appropriate research design and methodology for the study?
- 4.1. What is the nature of the case study of the research?
5. How will the collected data be analysed and interpreted?
6. What should SASSA do to improve the implementation of its internal audit function?
- 6.1. Which empirical and theoretical lessons may be learnt from the case study used in the research?

1.4. RESEARCH OBJECTIVES

The main research objective for the study was deduced from the main research question as follows:

To establish the necessary conditions under which the internal audit function at SASSA could be improved.

The sub-objectives for the study were the following:

1. To consider what has been published on the internal audit function and financial misconduct;
2. To reflect on what has been published on public policy implementation, new public management and governance;
3. To outline the statutory and institutional framework for the internal audit function and financial misconduct;
4. To describe the most appropriate research design and methodology for the study;
- 4.1. To explain the case study of the research;
5. To analyse and interpret the collected data;
6. To determine what SASSA should do to improve the implementation of its internal audit

function; and

6.1. To recommend empirical and theoretical lessons learnt from the case study used in the research.

1.5. RESEARCH DESIGN AND RESEARCH METHODS

The research design and methodology for this study are discussed in detail in Chapter five. This section will discuss in brief the two research methods available in the social sciences, and will contextualise reasons for the chosen research design and methodology. Yin (2003:21) observes that the role of research design is to guide the researcher in the process of collecting, analysing and interpreting observations. It is a logical model of proof that allows the researcher to draw conclusions about causal relations among the variables under investigation. The research design seeks to answer the following questions (Yin 2003:21):

- which questions should be asked in a study?
- which data is relevant, and should be collected? and
- how should the results be analysed?

In order to address the above questions, Healy and Perry (2000:119–120) state that there are various scientific paradigms that researchers adopt when doing research. These are, firstly, positivism, which is predominantly assumed by quantitative researchers in science-related fields. Secondly, critical theory focuses on social realities by including historical structures. The objective for researchers who do research within the critical theory paradigm is to analyse and transform social, political, cultural, economic, ethnic and gender values through long-term ethnographic and historical studies. Thirdly, constructivism is concerned with the ideologies and values behind research findings that are made up of different views (Healy & Perry, 2000:119–120).

Lastly, Krauss (2005:761) cites that realism is a philosophical paradigm that considers a number of perceptions relating to one reality. The paradigm assumes that knowledge about a reality emanates from social conditioning, and as such cannot be fathomed without considering the social actors who are involved in the process. Qualitative researchers consider the realism paradigm, and the main research approach that is used within the paradigm is case studies, wherein one of the data collection techniques adopted is interviewing (Healy & Perry, 2000:119). Realism was thus the paradigm within which this study could be located.

Taylor (2000:79) describes the qualitative research method as involving the analysis of complex data that is collected using techniques such as participant observation, interviews, questionnaires and examination of personal documents by the researcher. The point of departure of qualitative methodology is that in human sciences, the object of study is the human being. In this study, data was collected through personal one-on-one interviews, questionnaires with open-ended questions, as well as a focus group discussion. In achieving qualitative study objectives, researchers analyse the interactions of people with problems or issues. The interactions are studied in their context, and explained by the researcher (Taylor, 2000:80). The following are characteristics of qualitative research that distinguish this method from quantitative approaches (McNabb, 2002:89):

- different theories that are core to the approach;
- various perspectives of the participants;
- reflexivity of the researcher and the research;
- diverse approaches and methods of collecting data; and
- use of text as empirical data (McNabb, 2002:89).

The main difference to take into account between qualitative and quantitative research methodology is that the latter is concerned with the relationships or interdependence of variables through tests and experiments, whilst the former considers the object of study, which in most instances is a human being. As such, under the qualitative methodology, the chosen and suitable research methodology for the study, as explained in chapter five (cf. section 5.4), the researcher can collect information from the object through various means as described above, such as interviews, observation and questionnaires (McNabb, 2002:89).

The key terms that are used throughout this thesis are defined below.

1.6. DEFINITION OF TERMS

The following terms are used in the thesis:

- **Accounting authorities:** If a public entity has a board or other controlling body, the board or controlling body is the accounting authority for that entity. If the public entity does not have a controlling body, as is the case with SASSA, the chief executive officer (CEO) of the public entity is the accounting authority (RSA, 1999a:46).

- **Adverse audit opinion:** Accounting Institute Seminars (2014:1) refers to an adverse audit opinion as an audit opinion that is issued when an auditor finds that the financial statements of an institution being audited are substantially misstated. Furthermore, an auditor issues an adverse audit opinion when an institution's overall financial statements are not in line with the Generally Accepted Accounting Practice (GAAP).
- **Disclaimer of opinion:** A disclaimer of opinion is issued when an auditor cannot form an opinion on financial statements and as a result refuses to make his or her opinion on the financial statements known. This happens when the auditor attempts to audit financial statements but is unable to complete the work due to various reasons, including being unable to obtain appropriate audit evidence (Accounting Institute Seminars, 2014:1).
- **Economy:** 'Economy' here refers to the costs of acquiring resources to deliver public services. Improvements in economy are achieved by reducing the unit costs of acquiring resources, without negatively affecting the standard of services delivered (Prowle, 2010:257).
- **Effectiveness:** In this study, 'effectiveness' relates to the extent to which a public institution achieves its predetermined objectives (Prowle, 2010:257).
- **Efficiency:** Efficiency is the ratio of resource inputs compared to service outputs, that is, doing well and comprehensively, without wasting time and/or resources (Prowle, 2010:257).
- **Fiscal policy:** Investopedia (2012:1) defines fiscal policy as government spending policies that influence macro-economic conditions. These policies affect tax rates, interest rates and government spending, in an effort for government to maintain control of the economy. In addition, fiscal policy can be defined as national government decisions about the nature, level and structure of government expenditure, the way the expenditure is raised, corresponding spending priorities and taxes (Black, Calitz, Steenkamp & Associates, 2005:266).
- **Fruitless and wasteful expenditure:** This is expenditure that was undertaken in vain, did not achieve agreed outcomes, and could have been avoided had reasonable care been exercised (RSA, 1999a:7).
- **Treasury:** The South African Treasury is an institution established in terms of section 5 of the PFMA. This institution is responsible for managing public finances (RSA, 1999a:11).
- **Unauthorised expenditure:** Unauthorised expenditure refers to expenditure that

was not budgeted for, or which is not in accordance with its intended purpose (RSA, 1999a:12).

- **Irregular expenditure:** This type refers to expenditure incurred in violation of applicable legislation such as the PFMA, the State Tender Board Act (Act No. 86 of 1968) (RSA, 1968) and any other legislation that informs procurement procedures (RSA, 1999a:8).
- **Main division within a budget vote:** A ‘main division within a budget vote’ refers to the main segments in a budget vote that specify the amounts that have been allocated to the items under that segment. These are approved by Parliament or a provincial legislature (RSA, 1999a:8).
- **Public procurement:** According to Ambe and Badenhorst-Weiss (2012:244), ‘public procurement’ broadly refers to the buying or hiring by any contractual means of goods and services by the public sector.
- **Qualified audit opinion:** A qualified audit opinion report is issued when an auditor is of the view that some of the information within the financial statements presented do not comply with GAAP. However, the balance of the financial statements may be fairly presented (Accounting Institute Seminars, 2014:1).
- **Unqualified audit opinion:** An unqualified audit opinion indicates that an auditor found that the financial statements gave a true and fair view of the institution, in accordance with financial reporting frameworks used to prepare those statements (Accounting Institute Seminars, 2014:1).

1.7. ETHICAL CONSIDERATIONS

Brynard and Hanekom (2006:6) highlight two primary requirements for researchers pertaining to ethics, namely honesty and confidentiality. Researchers should report on information truthfully, as well as avoid publishing confidential information in their research. Researchers should observe ethical requirements whenever research is conducted. The ethical clearance for this study as required by the College of Economic and Management Sciences (CEMS), of the University of South Africa (Unisa) was obtained on 7 May 2013. The clearance certificate is attached as Appendix 1.

1.8. OVERVIEW OF CHAPTERS

The following chapters of the study will address each of the objectives of the study as outlined under section 1.4 above.

Chapter one of the research presents the general introduction and methodological orientation of the study. The chapter considers the background and rationale for the study, the research questions, the research objectives, the definition of terms that will be used throughout the thesis and the ethical considerations for the study.

In **Chapter two**, the author will report on literature relating to the central themes of the study, that is, financial misconduct and internal auditing.

In **Chapter three**, the author will report on literature that relates to public policy implementation. The chapter will also consider recent approaches to managing government affairs such as New Public Management (NPM). This discussion will emphasise the need to have effective internal audit functions to support the implementation of NPM.

Chapter four considers the regulatory and institutional environment for the internal audit function and financial misconduct, that is the PFMA and its regulations.

Chapter five will explain the case study for the research, namely SASSA, in order to provide context and clarity about what the case study is about. The chapter will provide clarity regarding why SASSA was deemed an appropriate case to address the research questions and objectives of the study. In addition, the chapter will consider the research design and methodology for the study. A description of how data was collected, the population and sampling methodology for the study will be outlined. The motivation for the data collecting techniques for study will also be found in this chapter.

Chapter six reports on the analysis of the data collected through interviews, questionnaires and a focus group discussion. The chapter constitutes the empirical part of this study and provides details regarding general views and perceptions of the respondents and participants. Furthermore, the results of an analysis of any theory–practice gaps, i.e. a consideration of any gaps between literature suggestions on the implementation of an internal audit function and current realities at SASSA, pertaining to the implementation of their internal audit function are presented.

Chapter seven will conclude the study by making recommendations based on the findings presented in Chapter six of the study. The research questions will be discussed

to assure closure of the research conducted. Finally, the contribution to the discipline of Public Administration and sub-field of Public Finance will be explained, showing the inherent value of the research conducted.

Finally, a list of references and appendices to the text will be provided.

CHAPTER TWO

A REVIEW OF THE LITERATURE ON INTERNAL AUDIT AND FINANCIAL MISCONDUCT

2.1. INTRODUCTION

In this chapter, the author reports on literature that addressed the two central themes of the study, namely internal auditing and financial misconduct. The aim was to locate the study within the body of literature that considers the role of internal auditing in improving internal controls, which contribute to the curbing of financial misconduct. Firstly, the author describes literature on the internal audit function in detail. The description of the internal audit function focuses on, amongst others, the evolution of the function and how the function can now be employed from an *ex ante* perspective, in an effort to avert financial misconduct.

Secondly, the author reports on literature on financial misconduct. The description of financial misconduct focuses on the various forms of financial misconduct as well as causes of these. This section also considers literature on ethics, as incidents of financial misconduct are unethical acts, which manifest because of values of public officials and opportunities created by weak mechanisms or a lack of internal control mechanisms.

2.2. RESEARCH DATABASES SEARCH RESULTS

This section considers studies on the Nexus and ProQuest databases that are similar to the current study. The consideration was undertaken to meet the research requirements of ensuring that the study was not a duplication of research that has already been conducted. Additionally, the consideration aimed to highlight any gaps that might exist in research studies that have already been conducted.

2.2.1. Nexus search results

Nexus is a database of the South African National Research Foundation (NRF), which contains a list of master's dissertations, and doctoral theses that have been completed, and those in progress. The search terms that the researcher used were as follows: implementation, Public Finance Management Act (Act No. 1 of 1999) (RSA, 1999a), internal auditing, financial misconduct and corporate governance.

The search results are attached as Appendix 2, and below the researcher presents a review of studies that were found to be closely related to the current study.

The first study closely related to the current study was by Buregeya (2008) titled “The role of internal auditing in the organisational performance of the Rwanda Revenue Authority (RRA)”. The above study provided an analysis of the role of internal auditing in the organisational performance of the RRA. The aim of the study was to show the importance of the internal audit function and the contribution that the function could make to improve the performance of the RRA. The study employed a qualitative methodology, and the data collecting techniques used to answer the research question and address the objectives of the study were survey questionnaires and interviews. The study found that the internal audit function played an important role in improving the performance of the RRA, and concluded that the internal audit function in the RRA had to continue improving its work in terms of the quality of the work done as well as expand its services to all areas of that organisation.

The second study was by Du Toit (1998), titled “Professional internal auditing in the public sector”. The hypothesis of this study was that there is a relationship between professional internal auditing and organisational effectiveness. In this context, the professional status of an internal audit function was linked to its standing in the organisation and its affiliation to professional bodies. The study found that internal auditing in the South African public sector was in its early stages of development compared to the private sector, and that the introduction of the function was prompted by the Constitution of 1996, which demands accountability and transparency in the public sector. Du Toit employed a qualitative methodology, and used survey questionnaire as a data collecting technique, to get opinions from management involved in auditing. The hypothesis of the study was supported and it was found that organisational effectiveness and efficiency could be improved by implementing and maintaining a professionally orientated internal auditing function.

2.2.2. ProQuest search results

A similar search to the Nexus one described above was conducted on the ProQuest database. This is an international database of completed theses. The search terms used were as follows: implementation, internal auditing, financial misconduct and corporate governance. The search results are attached as Appendix 3, and the study that was found

to be closely related to the current study is discussed below.

The research that was found closely related to the current study was by Strickland (2011), titled “Initial evidence on the association between municipal audit committees, governance and internal controls”. This research provided empirical evidence on the association between municipal audit committees and internal control problems. It also investigated the association between the presence of a municipal audit committee and the form of municipal governance. The study employed a quantitative methodology, and used questionnaires as the data collection technique. In this study, it was found that an internal audit function in a municipality could assist in detecting, disclosing and tracking internal control deficiencies.

Furthermore, the study found that reported internal control weaknesses were positively associated with the presence of an audit committee, which was also positively associated with the council manager (CM) form of governance². The findings suggest that municipalities with audit committees have a higher prevalence of reported internal control weaknesses, compared to those municipalities without audit committees. Additionally, the findings of the Strickland study point to partial support for an association between the presence of an audit committee and the form of governance. The findings further suggest that municipal characteristics, that is, the presence of an audit committee and the CM form of governance might create a control environment that is effective in uncovering and disclosing internal control challenges.

The above studies contributed to the study of internal auditing in public institutions. The findings in all of the studies point to the important role that an internal audit function could play in a public institution. The studies also utilised various research methodologies. The current study sought to evaluate specifically the role of the internal audit function in improving internal controls, which would contribute to the curbing or reduction of financial misconduct cases in SASSA. The study used similar methodologies to the ones used in the above studies. The study was a qualitative one, and it used interviews and survey questionnaires to obtain views from selected SASSA staff on the role that the Agency’s internal audit function played in making recommendations for the institution of internal controls that contribute to reducing financial misconduct. The study intended to enhance

² A CM form of governance is a form of municipal governance wherein the mayor is a politician as opposed to a professional administrator.

the current literature on the role played by the internal audit function in the public sector in enhancing internal controls.

2.3. INTERNAL AUDITING

The next section describes the theories that can be used to explain the role of an internal audit function.

2.3.1. Theoretical framework for internal audit effectiveness

Khaled and Mustafa (2013:92) posit that there are various theories that can be used to develop a theoretical framework for internal audit effectiveness, namely, agency theory, institutional theory and communication theory. These theories were used to explain the role of internal auditing, and are discussed below. The term ‘internal audit effectiveness’, however, has to be described first, as the above theories seek to provide a theoretical framework for internal audit effectiveness. Internal audit effectiveness refers to the ability of internal auditors to achieve set objectives of the internal audit function (Badara & Saidin, 2014a:76; 2014b:180). Similarly, Cohen and Sayag (2010:297–298) cite that the effectiveness of internal auditing is determined by the subjective evaluations given to the function by management. Enofe, Mgbame, Osa-Erhabor and Ehiorobo (2013:163) posit that the internal auditor’s work is not done until shortcomings have been corrected and remain corrected. Internal audit effectiveness in the public sector should thus be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery, as this contributes to driving demand for improved internal audit services. Effective internal auditing is thus necessary in undertaking independent evaluations of financial and operating information and of systems and procedures, as well as in providing useful recommendations for improvements when deemed necessary.

Badara and Saidin (2014b:176) emphasise the importance of having an effective and efficient internal audit function, by citing that if an internal audit function carries out its work well, it serves as an effective means of monitoring and promoting a system of good governance within any institution. Some of the factors that have an influence on internal audit effectiveness are experience, training, education (including continuous professional education) and professional qualifications. In terms of continuous professional education, Alzeban and Sawan (2013:445–446) highlight that internal auditors are required to complete eighty hours of acceptable continuous professional education every two years, which provides them with training on new developments in the profession.

2.3.1.1. Agency theory

Several authors have suggested that agency theory emanates from the subject of economics, and has been used by scholars in the subjects of accounting, finance, marketing, political science, organisational behaviour and sociology (Eisenhardt, 1989b:57; Mitnick, 2013:2). An agency relationship is thus defined as a contract that is entered into between leaders of an institution and its management (Al Mamun *et al.*, 2013:38; Khaled & Mustafa, 2013:92). The managers are regarded as agents of the leaders, and as such perform work on behalf of the leaders. However, there is a possibility that managers may deviate from carrying out their duties according to how the leaders expect them to, and instead pursue their own personal interests. This situation can be managed by the presence of corporate governance mechanisms, such as audit committees and external and internal auditors, who can ensure that managers carry out their duties as expected by the leaders (Al Mamun *et al.*, 2013:38; Vafaei & Christopher, 2014:7).

However, there are costs to the leaders associated with appointing resources such as auditors, to which Al Mamun *et al.* (2013:38) referred as 'monitoring costs'. Furthermore, if an audit committee is found to be inefficient or ineffective, this creates problems, as the internal audit function is not able to perform its role of monitoring the actions of management, resulting in management being more powerful, and having influence over the internal audit function (Khaled & Mustafa, 2013:92). Enofe *et al.* (2013:164) thus used agency theory to explain how critical it is to maintain a strong internal audit function, in order for senior management not to deviate from carrying out their duties in the expected manner. When the internal audit function reports to senior managers instead of the audit committee, this creates a dilemma because internal auditors are also agents of a board and audit committees, and have to evaluate the work of senior management.

In addition, the loyalty of internal auditors may lie with senior management instead of with a board and audit committee, as senior management may have influence over the auditors' future positions and salaries. This may result in internal auditors becoming agents who are biased and not objective. As agents, internal auditors should perform their audit work professionally, and they should have the required level of education, experience and competencies required for them to carry out their work in a satisfactory manner. The existence of the previously mentioned traits would increase the confidence level of the board and audit committee in internal auditor competence. Furthermore, when

the audit committee and internal audit function are effective, they are able to carry out their role of ensuring that managers carry out their duties as expected by the leaders of the institution (Khaled & Mustafa, 2013:93) who, in a public sector context, are political office-bearers.

2.3.1.2. Institutional theory

Closely linked to agency theory is institutional theory, which was introduced following a realisation that the behaviour of employees in institutions is never aligned to the expectations of their leaders. The reason for this is that there is no incentive for employees to align their behaviour to the expectations of leaders. In order to address this gap, society creates institutions that aim to address the aforementioned imperfections (Mitnick, 2013:2). Scott (2004:2) thus contends that institutional theory is concerned with social structures, and considers the processes by which structures – including rules and norms – become established as authoritative guidelines for social behaviour. Similarly, Khaled and Mustafa (2013:94) posit that the way in which institutional structures and practices are shaped by changes in laws and regulations or professions could be explained using institutional theory. In this regard, ‘institutional structures’ refers to how activities such the allocation, coordination and supervision of tasks are directed towards the achievement of institutional aims. Al Mamun *et al.* (2013:44) state that social structures, within which public institutions operate, provide stability and meaning to social life. In this regard, institutional theory posits that the management and control structures of public institutions tend to conform to social expectations (Christopher, Sarens & Leung, 2009:202).

A critical aspect of a management control structure is an internal audit function, which is used by public institutions to fulfil responsibilities that are in line with social expectations, such as the assurance activities that the function provides (cf. section 2.3.4.1) (Christopher *et al.*, 2009:202). Institutional theory thus asserts that the conduct of officials should be regulated by rules and regulations in order to promote good governance (Vafaei & Christopher, 2014:8). An internal audit function is thus responsible for inter alia ensuring that there is compliance with the rules and regulations. In South Africa, as explained below (cf. section 2.3.4.2), public institutions are mandated by legislation to have internal audit functions.

2.3.1.3. Communication theory

Communication theory argues that the existence of effective communication between internal auditors and auditees and the members of a public institution is important in strengthening internal audit effectiveness. To this end, the manner in which internal auditors communicate their findings is critical. For example, if internal auditors communicate their findings in a way that auditees perceive as accusatory or as only identifying weaknesses, this may break trust between internal auditors and auditees, which in turn may create communication barriers. Effective communication is thus critical, and the communication process should focus on relaying only necessary information in a clear, simple and meaningful way, as well as on creating mechanisms for feedback (Alzeban & Sawan, 2013:445; Khaled & Mustafa, 2013:94–95).

The following section considers the evolution of the internal audit function.

2.3.2. The evolution of the internal audit function

Sarens and De Beelde (2006:453) remark that the profession of internal auditing emanates from the area of financial control. Similarly, Willson and Root (1984:2) posit that records of accounting history show that the first audit function took place prior to AD 1500. At the time, the services involved validating government transactions in order to avert misappropriation of funds in treasuries of ancient rulers. The methodology that was followed involved two individuals who maintained records of the same transaction in order to provide the ancient rulers with assurance that any attempted misappropriation of funds would be detected on time. This shows that the intertwined relationship between internal control, auditing and assurance was there, even at the beginning of the function (Willson & Root, 1984:2). Furthermore, during the early stages of the development of the profession, it was concerned with measuring and evaluating the effectiveness of various types of control, such as the correctness of financial transactions and ensuring that institutions complied with applicable laws and regulations. These functions were carried out in order to enable institution members to discharge their duties effectively (Sarens & De Beelde, 2006:453).

Internal auditing was thus defined as an independent appraisal function established to examine and evaluate institutional activities, with the objective of promoting effective control and assisting institutions, including management, to discharge their responsibilities effectively (Willson & Root, 1984:2; D'Silva & Ridley, 2007:117). Willson

and Root (1984:3) further define internal auditing as a function that is responsible to the owners of an institution, and which provides a service to senior management. The services provided include inter alia monitoring management controls as well as being proactive in identifying and assessing risks to institutional assets and activities. Other services are investigating lapses in controls that have occurred and those that have a potential of occurring and making recommendations for improving responses to risk and achieving institutional objectives.

The profession of internal auditing has since evolved and has shifted from examining financial records and fraud investigations only, and now includes ensuring that efficiency, effectiveness and economy are achieved in institutions. Furthermore, the internal audit function now also comprises expert advisory services, where the internal auditor provides institutions with recommendations for future action. This implies that the contemporary internal auditor has to determine whether institutional objectives have been achieved. The terms used for the additional aspects that are now part of the internal audit function, as highlighted above are 'management' or 'operational auditing' and in some instances, 'performance auditing' or 'value-for-money auditing. An operational audit aims to assist management in improving the operations of an institution, as well as in achieving efficiency, effectiveness and economy in their delivery of goods and services (Pollitt & Bouckaert, 2011:86; Allen *et al.*, 2013:378; Vafaei & Christopher, 2014:4–6).

Pollitt and Bouckaert (2011:87) found that performance auditing had developed furthest in countries such as Australia, Canada, New Zealand, the United Kingdom and the United States of America. The authors further mention that in countries such as Germany, emphasis has been on compliance and financial auditing, with performance auditing elements covered partially. Similarly, Von Maravic (2007:468) found that in the German public service (where the delivery of services has been decentralised to municipalities) auditors' responsibilities of checking whether the decentralised services are provided according to prescribed policies and standard operating procedures had decreased. The gap between decentralising service delivery and not adapting audit capacity has thus resulted in an audit vacuum, which does not bode well for the curbing of corruption (Von Maravic, 2007:468).

Allen *et al.* (2013:374) thus state that internal auditing is an important part of internal management controls, and it functions by reviewing, evaluating and making

recommendations for the improvement of other controls within institutions. The role of internal auditing is thus two-fold. Firstly, the purpose is to provide the leader of a public institution with an objective and independent opinion on the trustworthiness of operations of the institution. Secondly, the findings and recommendations of an internal audit function should provide management of a public institution with input that enables such institution to take corrective action in an effort to improve the effectiveness of its operations and internal controls.

Following below are the various types of audits and their functions:

2.3.2.1. Compliance audits

Compliance audits are one of the two so-called ‘traditional roles’ of the internal audit function. Compliance audits aim to ensure that public funds are received and spent in compliance with appropriation laws (Pollitt & Bouckaert, 2011:86; Allen *et al.*, 2013:378).

2.3.2.2. Financial audits

The second responsibility of the internal audit function, i.e. the second so-called ‘traditional role’, is financial auditing. Financial auditing aims to ensure that the use of funds is fairly and accurately represented in the financial statements of an institution (Pollitt & Bouckaert, 2011:86; Allen *et al.*, 2013:378). The internal audit function in the public sector has evolved, which resulted in a widening of its scope, which now includes other types of audits, as described in 2.3.2.3–2.3.2.6.

2.3.2.3. System audits

System audits are audits that involve the reviewing of an organisation’s internal control systems. System audits consider aspects such as authentication mechanisms, password standards, roles limiting or granting systems functionality, in order to ensure that only authorised people have access to the operating and financial systems of the institution (Allen *et al.*, 2013:378).

2.3.2.4. Forensic audits

Odudu and Aliyu (2015:80) posit that forensic auditing also known as ‘investigative auditing’ or ‘forensic accounting’ is an area of specialisation that is concerned with the detection and prevention of financial fraud and other forms of economic irregularities. Furthermore, forensic auditing considers evidence that is discovered through the

examination of financial documents, which can be presented in a court of law for prosecution (Odudu & Aliyu, 2015:81). Forensic audits are thus undertaken when there is a suspicion of criminal conduct, such as fraud.

2.3.2.5. Information technology audits

The automation of public financial management systems and the emphasis on efficiency and effectiveness in service delivery have necessitated another aspect of auditing, namely information technology audits. Information technology audits examine the management controls within information technology infrastructure. The examination is carried out in order to determine whether information systems are effectively safeguarding assets, maintaining data integrity, and operating in a way that contributes towards the achievement of the goals or objectives of an institution (Allen *et al.*, 2013:378).

2.3.2.6. Risk assessment audits

The internal audit function also extended to risk management, where institutional risks are assessed and monitored. The monitoring is done in order to make recommendations on the controls that are necessary to mitigate against those risks, and to raise the risks to an acceptable level that enables institutions to achieve their objectives (Allen *et al.*, 2013:378). The widening of the scope of the internal audit function, highlighted above, is in response to an acknowledgement that modern audit and control systems must extend their focus beyond regulatory compliance. This is necessary for public institutions to cope with the increasing emphasis on performance management and accountability for results (Allen *et al.*, 2013:378).

2.3.3. Scope of internal auditing

The above discussion points to the inevitable widening of the scope of the internal audit function. However, developing countries, such as South Africa, where the internal audit function is still in its early development stages (cf. sections 2.2.1), may still define the internal audit function narrowly, focusing only on compliance and financial audits, as opposed to wider management issues (Allen *et al.*, 2013:378). Furthermore, Papageorgiou, Yasseen and Padia (2012:11829) indicate that in South Africa, the internal audit profession was only formally introduced in 1984, with the formation of the Institute of Internal Auditors of South Africa (IIA SA). The academic and professional research on the practice of internal auditing has thus been sporadic.

2.3.4. Defining internal auditing

In recognising the shift in the work of the internal auditor, as described above, several authors have come up with a new definition of internal auditing. Internal auditing is described as an independent, objective assurance and advisory function that adds value and improves the operations of the institution by helping it achieve its objectives through bringing a systematic, disciplined approach to evaluate and improve the effectiveness of processes of risk management as well as control and governance (Sarens & De Beelde, 2006:454; D'Silva & Ridley, 2007:118; Allen *et al.*, 2013:379; Enofe *et al.*, 2013:163). In summary and as remarked by Enofe *et al.* (2013:162), the contemporary internal auditor provides institutions with an independent objective review as well as advisory services. The services provide the assurance that the financial and operational controls of institutions, aimed at managing their risks and achieving their objectives, are working in an efficient, effective, economical and ethical manner, while also assisting management to improve institutional performance.

However, Vafaei and Christopher (2014:10) point out that there are problems associated with defining efficient, effective and economical from the internal auditor's point of view, and that more work needs to be done by internal auditors to find out what constitutes this in their institutions. Each institution is affected by its own unique forces that shape its governance paradigm. In addition, when auditing for efficiency, effectiveness and economy, it is important to have performance measures in place, in order to determine whether the aspects of efficiency, effectiveness and economy have been achieved.

Christopher *et al.* (2009:201) highlight that, because of the extended role it now plays, the internal audit function has been promoted, and has become the cornerstone upon which effective corporate governance is built. Similarly, Coram, Ferguson and Moroney (2008:546) point out that an internal auditor plays an important role in the ethical culture of a public institution, and as such is a key governance tool in protecting public institutions from internal criminal behaviour. Internal auditors should take on an active role in supporting the ethical culture of their institution in order to help with controls that will assist in detecting the misappropriation of assets. In further recognising the importance of the role played by internal auditors, it was clear that the number and size of errors that need to be corrected by an external auditor, that is, an auditor who is independent of the institution being audited, are significantly lower in public institutions that have an internal audit function compared to those that do not have one (cf. section 2.2.2). It could however

be argued that the presence of an internal audit function in a public institution is not enough and that positive gains can only be achieved if the function is efficient and supported by the leadership of the institution.

Based on the new definition of internal auditing, a difference can be made between two types of internal audit activities, as described below.

2.3.4.1. Assurance activities

Several authors define assurance activities as those involving an objective assessment of evidence by an internal auditor. The assessment is done in order to provide an independent opinion or conclusion regarding compliance with processes or systems. The internal auditor should determine the nature and scope of the assurance engagements (Sarens & De Beelde, 2006:455; D'Silva & Ridley, 2007:116; Vafaei & Christopher, 2014:8).

2.3.4.2. Consulting activities

Consulting activities are advisory in nature and are performed at the request of clients of the internal audit function, who are mainly management (Sarens & De Beelde, 2006:455; D'Silva & Ridley, 2007:116; Vafaei & Christopher, 2014:8). D'Silva and Ridley (2007:121) and Allen *et al.* (2013:379) however caution that the consultancy aspect – that is part of the modern-day internal auditor role – has an inherent danger of undermining the independence of the internal auditor. The reason is that, if the internal auditor plays an advisory role in developing internal control systems by way of example, it may become difficult for such auditor to remain independent in the future whilst auditing the same system, or checking whether the system is operated according to prescribed policies and standard operating procedures. In a similar line of thought Christopher *et al.* (2009:201) argue that, as the responsibilities of internal auditors grow, so does the demand for greater accountability, independence and objectivity on the part of internal auditors.

Similarly, Christopher *et al.* (2009:203) posit that using the internal audit function to perform various extended roles, such as consulting as defined above, has the potential of not always appreciating the need for the internal auditor to be independent. Independence in this context is defined as autonomy from material conflicts of interest that negatively affect objectivity. Institutional independence refers to placing the internal audit function in a reporting structure that makes it possible for the function to determine

its audit scope freely as well as perform its audit work with no interference (Christopher *et al.*, 2009:201–203).

Various authors mention that internal audit independence could be achieved by creating proper reporting mechanisms, such as ensuring that the internal audit function has direct access to a board or similar structure (Courtemanche, 1985:35; Alzeban & Sawan, 2013:445). Furthermore, internal audit independence can be achieved by giving the function authority to access any records necessary for it to conduct its audits as well as access to employees in all departments, coupled with stringent conditions on the appointing and dismissal of the head of the internal audit function. Cohen and Sayag (2010:300) posit that institutional independence of the internal audit function has the potential to increase internal auditor effectiveness.

Contrary to the previously mentioned, Sarens and De Beelde (2006:455) postulate that by providing consulting services, internal auditors help ensure that management sees the internal auditing function as important to achieve institutional goals and objectives. Similarly, D'Silva and Ridley (2007:166) are of the opinion that the establishment of participative relationships between auditors and auditees would assist in directing the audit effort towards important institutional operating problems. In addition, the full potential of the audit process is achieved through making suggestions that can be of substantial assistance to the ability of an institution to achieve its objectives. To this end, the authors suggest that internal auditors maintain a right balance between a consultant role and the provision of independent evaluations. It would thus be up to the internal audit function to determine the balance referred to.

Having noted the above changes to the internal audit function, Alzeban and Sawan (2013:443) however point out that the internal audit function has not developed to the same extent in all organisations and countries (cf. sections 2.3.2 & 2.3.3). Allen *et al.* (2013:384) recommend that the design of an internal audit function should aim to address specific public financial management priorities of a country. To this end, the objective of an internal audit function in countries that have governance problems should be to ensure financial regulation and enforcement of compliance with financial laws and regulations. Countries facing fiscal stress, that is, when government does not generate enough income through taxes to meet its expenditure, government needs to ensure that fiscal discipline is achieved in order to make sure that macroeconomic objectives are met. On

the other hand, countries that have achieved compliance with laws and regulations, fiscal discipline and macroeconomic stability should focus on ensuring that efficiency and effectiveness are achieved in the use of resources (Allen *et al.*, 2013:384). The above illustrates a 'basics first' approach in determining the scope of an internal audit function, depending on the development stage of a country, and its current realities.

Furthermore, Alzeban and Sawan (2013:445–446) highlight that in developed countries such as Australia, the internal audit function is not in existence in all institutions. In the United States of America, there is evidence of the function in most institutions, however, the character of the function differs. In some instances, the function appears in its traditional assurance role and in others, it assumes risk management and consultancy activities. In Saudi Arabia, the function was concerned with the correctness of transactions and accounting, and only in 2004 did it become a legal requirement for institutions to have the function in place. The internal audit function in Saudi Arabia was mainly created to provide recommendations for the institution of internal controls that would eliminate corruption and/or irregularities, such as fraud, and to identify and remove weak internal control systems and replace these with strong ones. Additionally, the internal audit function in Saudi Arabia was created because of a growing awareness of the need to have mechanisms to safeguard public assets and resources (Alzeban & Sawan, 2013:445–446).

In the United Kingdom, Ireland and Italy, internal audit functions were mainly involved in consulting activities. These consulting activities are risk management, project management, governance, contingency planning and disaster recovery. In Italy, the consulting activities relate to legislative compliance, governance and risk management (Alzeban & Sawan, 2013:445–446). Fourie and Erasmus (2009:936) remark that the internal audit function in South African institutions was in its early stages but is growing rapidly. South Africa is similar to Australia, as highlighted by Vafaei and Christopher (2014:8), in that in South Africa, as is the case in Australia, there are no mandatory guidelines for the establishment of an internal audit function in the private sector. However, in South Africa it is recommended that companies should comply with the King codes on corporate governance.

Furthermore it is a listing requirement for companies listed on the Johannesburg Stock Exchange (JSE) to comply with the King codes (cf. section 4.11) (Fourie & Erasmus,

2009:936; Nevondwe, Odeku and Tshoose, 2014:264). In this regard, legislation that makes it mandatory to have an internal audit function, only applies to the South African public sector (Fourie & Erasmus, 2009:936).

Prowle (2010:353) mentions that an internal audit function should be based on an institution's own risk assessment, informed by the external auditor's views on areas of review. Institutions should also assess the effectiveness of their internal audit functions on an annual basis. Furthermore, international standards on internal auditing advocate for the decentralisation of the internal audit function, where efficiency and effectiveness in attaining policy objectives are emphasised, and managers are given the freedom to manage in order to attain efficiency and effectiveness (Allen *et al.*, 2013:382). When it comes to research that evaluates the effectiveness of the internal audit function, Khaled and Mustafa (2013:92) aver that this area has not received sufficient attention compared to external auditing. In addition, there is a need for research in this area, more especially in developing countries, where the internal audit function can play a critical role in making recommendations for internal controls that would prevent corruption such as fraud (Khaled & Mustafa, 2013:92; Badara & Saidin, 2014b:177). This was therefore an area that this study sought to address.

2.3.5. Attributes of internal auditors

Several attributes of the internal audit function have implications for the effectiveness of the internal audit function. These are discussed below.

2.3.5.1. Qualities of internal auditors

Khaled and Mustafa (2013:96) posit that characteristics of internal auditors, as adopted in the International Standards for the Professional Practice of Internal Auditing (ISPPIA) refer to:

- *objectivity*: this is considered a key element in internal audit effectiveness, because the work of the internal auditor involves the provision of professional judgement. If the internal auditor is not objective and is not seen as objective, the recipients of their judgement may not take it seriously;
- *effective communication*: communication is considered one of the strongest variables that influence the effectiveness of internal auditing (cf. section 2.3.1.3);

- *proficiency and due professional care*: it is a requirement of the IIA that an internal auditor be knowledgeable and skilled, in order to for him or her to perform his or her duties; and
- *training and development*: the IIA requires internal auditors to partake in continuous training and development programmes (cf. section 4.11.1).

Alzeban and Sawan (2013:445) remark that an internal auditor has to have two types of skills:

- *cognitive skills*, which is the ability to demonstrate technical analytical know-how; and
- *behavioural skills*, which refer to good interpersonal and organisational proficiencies.

2.3.5.2. Attributes of an internal audit function

Attributes of an internal audit function include the performance of functions. 'Performance' in this context refers to an internal audit function's planning, supervision, fieldwork, recording, reporting of findings and follow-up on the implementation of internal audit recommendations (Enofe *et al.*, 2013:164; Khaled & Mustafa, 2013:97–98). Similarly, several other authors highlight that the competence of staff working in an internal audit function is important, and is an important component of an effective internal audit activity or operation (Cohen & Sayag, 2010:299; Alzeban & Sawan, 2013:445; Vafaei & Christopher, 2014:16). The quality of the work produced by an internal audit function is influenced by the competence of its staff, which is validated by their qualifications. The performance of an internal audit function is an important factor in determining the effectiveness of the function. The sufficiency of the scope of an internal audit function as well as the standard of audit plans and the execution and reporting thereof are important factors that illustrate internal audit effectiveness (Enofe *et al.*, 2013:164; Khaled & Mustafa, 2013:97–98).

2.3.5.3. Support by members of a public institution

'Support by members of a public institution' refers to support by senior managers and the existence of an effective audit committee. The role of an audit committee is described in detail below. It is suggested that internal auditing is most effective when it is supported by senior management and when an audit committee is in place (Cohen & Sayag, 2010:300; Khaled & Mustafa, 2013:97; Badara & Saidin, 2014b:177; Vafaei & Christopher, 2014:17). The support includes inter alia allocating adequate human and

financial resources to the internal audit function and ensuring that there are adequate policies and procedures that guide the operation of internal auditors and which can be used as a basis for evaluating the work of internal auditors. It is also important for senior managers to promote the internal audit function within a public institution in order to encourage everyone in the institution to implement recommendations by the internal audit function. Enofe *et al.* (2013:164) point out that audit findings and recommendations would not be useful if management, as customers of the internal audit function, is not committed to implement such findings and recommendations. Management's lack of awareness of the internal audit function could lead to a lack of cooperation during audits and non-implementation of recommendations.

The level of support that an internal audit function receives from management, will also determine the resources given to it (Sarens & De Beelde, 2006:462; Alzeban & Sawan, 2013:446). There is thus a positive correlation between implementation of audit recommendations by management and internal audit effectiveness (Enofe *et al.*, 2013:164). Sarens and De Beelde (2006:462) assert that management's view of the role of internal auditing affects the type of work undertaken by internal auditors. The authors state that when the internal audit function has strong management support, and is considered a strategic and important function, it performs more consulting activities. A lack of management support is thus characterised by the internal audit function being confined to traditional assurance activities (cf. section 2.3.4.1).

2.3.5.4. Experience of the internal auditor

The experience of an internal auditor has become an important factor in assessing the effectiveness of an internal audit function because it enables the achievement of good quality audits and recommendations (Sarens & De Beelde, 2006:455; Badara & Saidin, 2014a:77; 2014b:176). This is because an experienced internal auditor is able to identify the right information that will assist him or her in his or her judgement. An experienced internal auditor is regarded as having a knowledge advantage, giving such auditor the ability to generate likely explanations for audit findings. The experience of an internal auditor is thus regarded as an important factor in determining internal audit effectiveness, as the more experienced an internal auditor is, the more likely he or she is to be effective when carrying out his or her work.

2.3.5.5. Cooperation between internal and external auditors

Pollitt and Bouckaert (2011:87) cite that the level of sophistication of internal audit functions in the public sector determines the ease or difficulty of the work of external audit institutions. Badara and Saidin (2014a:77) highlight that effective cooperation between internal and external auditors leads to better quality audit exercises, as well as to creating an enabling environment for effective audits. An internal audit function could benefit from having a good working relationship with the external auditors of the public institution, because this will enable them to take advantage of the knowledge of the external auditor. Alzeban and Sawan (2013:447) argue that the internal–external auditor relationship is a key concern within professional standards of the internal audit profession. To this end, it is suggested that exchange of information should take place between the two parties, coupled with coordination of activities undertaken by both parties. These should lead to a professional relationship between the two parties, culminating in effective and quality audits.

2.3.6. Outsourcing the internal audit function

Barac and Motubatse (2009:969) highlight that outsourcing is a management strategy of which public institutions could make use to delegate functions or activities formerly performed inside the public institution to specialised and efficient service providers. The authors further highlight that, although the practice of outsourcing functions is well established in the accounting environment, outsourcing the internal audit function, started to emerge during the 1980s. Similarly, Papageorgiou *et al.* (2012:11828) suggest that outsourcing of the internal audit function is not a new phenomenon, and it dates back to the eighteenth century. However, the practice gained momentum in the latter half of the 1980s and 1990s. The practice of outsourcing the internal audit function was found necessary as a result of increased demands placed on the skills and competencies of internal auditors during the 1980s (Barac & Motubatse, 2009:969; Fourie & Erasmus, 2009:937). Barac and Motubatse (2009:970) further found that outsourcing of the internal audit function was a growing phenomenon, even in developed countries such as the United Kingdom.

Co-sourcing, where a partnership is entered into between a public institution's in-house internal audit function and its external provider was found to be a growing phenomenon (Fourie & Erasmus, 2009:937). The practice of co-sourcing enables an in-house internal audit function to retain responsibility for internal audit processes, while relying on the

external provider for specialised technical skills and personnel, which it may not have. Fourie and Erasmus (2009:937) posit that the increased demands for internal audit services, as a result of the evolvement of the function (cf. section 2.3.2), have placed strain on available resources in the function. These resource constraints have led to the co-sourcing or outsourcing of internal audit activities.

2.3.6.1. Arguments against outsourcing/co-sourcing the internal audit function

Arguments against outsourcing the internal audit function include, firstly, that the quality of services performed by external providers, may not be up to standard. Secondly, external service providers may not have a full understanding of a public institution's functioning, which may affect the quality of work they produce. Thirdly, an institution loses its ability to exercise control over its own internal audit function, when the internal auditing function has been outsourced. An internal audit function is considered an important part of institutional governance, which cannot be outsourced (Barac & Motubatse, 2009:971; Papageorgiou *et al.*, 2012:11830).

2.3.7. Audit committees

Allen *et al.* (2013:390) cite that a strong internal audit function in the public sector is dependent on an effective audit committee. Several authors asserted that the role of audit committees is to promote accountability and to strengthen the internal and external audit functions, financial management and overall governance (Sarens & De Beelde, 2006:459; Badara & Saidin, 2014b:178; Nevondwe *et al.*, 2014:268). Furthermore, the presence of audit committees creates the perception that the internal audit function is independent, which may lead to more reliable financial reporting (Christopher *et al.*, 2009:204; Vafaei & Christopher, 2014:15).

An effective audit committee is thus able to strengthen the position of the internal audit function by acting as an independent forum with whom internal auditors could consult, on matters affecting management. This reiterates the importance of the role of an audit committee as an enabler to the audit function. Furthermore, a strong working relationship between an audit committee and internal audit function members is critical, to enable each to fulfil their responsibilities to senior management and other stakeholders.

Regular meetings between members of an audit committee and internal audit function are necessary in order to ensure that audit committee members stay informed about

issues related to their monitoring responsibilities (Christopher *et al.*, 2009:204; Vafaei & Christopher, 2014:15).

In terms of the reporting line of the chief audit executive (CAE) (i.e. an executive who is responsible for the overall functioning of an internal audit function) it was noted that this incumbent should report to the audit committee. Moreover, if the CAE reports to senior management instead of an audit committee, it has the potential to result in internal auditors failing in their duty to recommend adequate controls that will protect a public institution against fraudulent activities (Sarens & De Beelde, 2006:459–460; Christopher *et al.*, 2009:208; Alzeban & Sawan, 2013:446). Furthermore, the independence of an internal audit function is compromised if management is responsible for appointing and dismissing the CAE. In the same vein, if management influences the budget of the internal audit function, its independence may be compromised. The audit committee should thus be the one that approves the budget for the internal audit function (Christopher *et al.*, 2009:208). It is thus believed that if an audit committee has the executive responsibility for the management of its internal audit function, instead of this role residing with the accounting authority, this could go a long way in promoting the independence of the internal audit function.

It has been found that in public institutions where the audit committee has a strong influence on internal auditing practices, such as influencing the audit plan instead of management playing this role, audit reports clearly detail audit findings as well as explain thoroughly how the internal auditor reached certain conclusions and/or opinions (Sarens & De Beelde, 2006:459–460; Christopher *et al.*, 2009:208). This, however, does not take away the fact that a CEO and/or a chief financial officer (CFO), i.e. the executive who is responsible for the overall financial planning, record keeping, and financial reporting of an institution, should provide input to the internal audit function, given that they are able to identify high-risk areas that have to be considered by the internal audit function. However, the CAE and the audit committee should still have a final say in the audit plan (Sarens & De Beelde, 2006:459; Christopher *et al.*, 2009:208).

2.3.7.1. Attributes of an audit committee

Allen *et al.* (2013:390) highlight that the control environment of a public institution is likely to improve, and reported errors are likely to reduce when an audit committee has a strong influence on the activities of the internal audit function. Independence through an

appropriate reporting line is thus considered the most important criterion for objectivity. Independence is further improved if the audit committee has the technical necessary expertise in fields such as accounting and budgeting, in order to understand the work of the internal audit function.

D'Silva and Ridley (2007:120) posit that audit committees should review and approve the activities of the internal audit function, as well as monitor and review its effectiveness. It is believed that this will contribute to establishing a good working relationship between an audit committee and an internal audit function in the latter's roles of assurance and consulting and its processes of risk management, control and governance. An audit committee can only be able to review the work of the internal audit function if the members of the committee have the necessary technical understanding of the function's work.

One of the objectives of the PFMA is to promote accountability in the public institutions to which the Act applies (RSA, 1999a:12). In this regard, section 51(1) of the PFMA requires accounting authorities of public entities, such as SASSA, to establish a system of internal audit that is managed by an audit committee.

The establishment of audit committees in public institutions is also promoted by the IIA, which in its efforts to improve the effectiveness of internal auditing issued a statement in 1991 entitled *The audit committee in the public sector* (IIA, 1991), which stipulates that all public sector institutions should establish audit committees in order to ensure the effectiveness of internal auditors. Once established, it is important that the audit committee be independent. An independent audit committee plays a key role in promoting good governance, and in ensuring that there is integrity in reporting and financial controls as well as in ensuring that financial and other risks facing a public institution are identified and managed (Nevondwe *et al.*, 2014:268–270).

Moreover, an audit committee has to support the internal audit function by ensuring that the latter conforms to the standards of the IIA, clear performance indicators are set, and that the function is sufficiently resourced and skilled. The previously mentioned support is necessary in order for the internal audit function to discharge its responsibilities effectively (Badara & Saidin, 2014a:76; 2014b:176). When it comes to assessing the performance of audit committees, Sethomamaru (2016:227), argues that audit committees must be assessed regularly using a combination of self-assessments and independent assessments, as both assessments have shortcomings when done in

isolation. The former entails an assessment done by audit committee members themselves, and a third or external party, such as an auditor-general, does the latter. Setlhomamaru reiterates the importance of assessing the work and performance of members of audit committees in the public sector, as performing and effective audit committees are a necessary condition for good governance (Setlhomamaru, 2016:228). The following section focuses on one of the central themes of the study, namely public financial management within which public financial misconduct occurs.

2.4. PUBLIC FINANCIAL MANAGEMENT

Public finance is the cornerstone of any government, as it is through public finances that a government is able to provide services to its citizens. Governments should therefore ensure that their income and expenses are managed efficiently and effectively through their budget (Premchand, 1993:22). In this context, Coombs and Jenkins (1991:9) highlight that the aim of financial management is to improve the management, allocation and control of financial resources.

The next section on financial misconduct is thus considered key to the current study, as poor internal controls create opportunities for corrupt acts such as fraud (cf. section 2.4.2.3 for categories of corruption). In addition, most of the operational risks that face SASSA relate to financial misconduct and fraud (cf. Table 6.1). The aforementioned cases of financial misconduct and fraud go against the objectives of public financial management, and the study attempted to make recommendations (cf. section 7.3 & 7.5) aimed at improving the implementation of the internal audit function at SASSA in order to address the issue of financial misconduct.

2.4.1. Public financial misconduct

Pauw *et al.* (2002:37–42) explain that in South Africa, the legislature is responsible for managing public finances on behalf of the public. The legislature therefore appropriates funds to the various public institutions. In doing so, it authorises the expenditure to those public institutions. The previously mentioned funds are appropriated and authorised once departmental budgets have been presented and approved by the legislature. Through the budget, expenditure for various programmes is authorised once the purpose of the programmes has been identified. Funds are appropriated to various programmes when such programmes are deemed necessary and of benefit to the public. Financial misconduct thus occurs in various ways, namely:

- when unauthorised expenditure takes place, i.e. when expenditure occurs on programmes that were not budgeted for, or when the budgeted amount is exceeded;
- when funds are spent on activities that do not contribute to the public benefit, as defined in the budget, the so-called, fruitless and wasteful expenditure (Pauw *et al.*, 2002:24);
- there is legislation such as the PFMA and the Preferential Procurement Policy Framework Act (the PPPFA) (Act No. 5 of 2000) (RSA, 2000d). The PFMA regulates the general use of public funds, while the PPPFA regulates the procurement of goods and services. It must therefore be stated that expenditure may be authorised according to a budget Act but be deemed illegal in terms of Acts such as the PFMA and the PPPFA. This is expenditure, which is deemed irregular, and when public officials spend funds in this manner, they may be guilty of financial misconduct. This is because such expenditure is not in accordance with applicable legislation or rules and regulations were not followed when it was incurred (Pauw *et al.*, 2002:37–42). Similarly, Prechel and Morris (2010:332) posit that financial misconduct is an act that violates a law or a rule that has been established by a government or an institution responsible for financial oversight. Additionally, Mhauri (2009:1356) defines financial misconduct as any falsifying of records or deliberate distortion of financial reports to government institutions.

Pauw *et al.* (2002:42-43) further highlight that unauthorised expenditure, fruitless and wasteful expenditure and irregular expenditure should be avoided by accounting authorities at all costs. This is because unauthorised expenditure, fruitless and wasteful expenditure and irregular expenditure, work against the achievement of economy, efficiency and effectiveness in the delivery of public services. The authors further state that the legal grounds on which money has to be paid back to the state, when unauthorised expenditure has occurred, are not sufficiently provided for by the PFMA. There are currently two remedial ways in which these cases are dealt with. Firstly, either the legislature must pass legislation to authorise the unauthorised expenditure after the fact. Secondly, the responsible person or the accounting authority must pay the money back to the state (Pauw *et al.*, 2002:42–43). The remedial actions in the PFMA, for dealing with financial misconduct, will be discussed in detail in Chapter four of this thesis (cf. section 4.6).

Prechel and Morris (2010:333) explain financial misconduct within the context of organisational-political embeddedness theory. This theory posits that differences in political structures provide different degrees of opportunities to engage in financial misconduct. Prechel and Morris argue that organisational-political embeddedness theory is consistent with the conception of differential social organisation theory, which postulates that some social structures, such as those that allow the transfer of money, hidden from oversight institutions and the public, provide greater opportunities to commit crime than others do. The two theories described above thus highlight the following: regulatory policy, enforcement structures, economic conditions, and organisational characteristics have an influence on the prevalence of financial misconduct (cf. section 2.4.2.5). It is thus believed that when internal auditors carry out their work, they should consider the aforementioned factors, in order for them to provide management with recommendations that would improve the internal control environment and subsequently reduce cases of financial misconduct.

Prechel and Morris (2010:333) further point out the difference between financial misconduct in the private and public sectors. In the former, managers who pursue their self-interest, through misrepresenting the financial position of their organisations, cause financial misconduct. These managers were found to have misrepresented the financial positions of their organisations, as their compensation was based on how well their companies performed. The incentives that were aimed at aligning the interests of managers and those of shareholders, such as bonuses and shares, were found to have resulted in managers who pursued their self-interests, in turn negatively affecting the organisations for whom they worked. In the latter institutions, public officials or political office-bearers who pursue their own interests, by violating laws that have been established for financial oversight, also caused financial misconduct. However, it is believed that the consequences are much greater in the public sector when compared to the private sector, because the public sector is there to serve all the people in a specific country.

2.4.2. Clarification of concepts in the domain of ethics

The next section considers an overview of concepts that underpin the topic of ethics, such as ethical culture. At this point, it is necessary to take into account that Sambo and Webb (2017:147) emphasise that the work of internal auditors does not directly result in an ethical culture, instead, if internal auditors perform their work as expected, this may

contribute to an ethical institution. In addition, one of the ten core competencies that internal auditors are required to have as described in their competency framework (cf. section 4.11), is professional ethics (cf. Table 4.1). The competency of professional ethics aims to promote and apply professional ethics in the internal audit profession (IIA, 2013:6). Although the competency relates to ethics in the profession of internal auditing, one of the elements of this competency pertains to internal auditors being responsible for explaining the responsibility of the internal audit function with regard to the ethical culture of their institutions. In other words, the expectation is that internal auditors should be able to explain their role, which is considered indirect, in the promotion of an ethical culture in their institutions. This section is thus necessary, as it will provide readers with the necessary theoretical context when subsequent sections pertaining to the role of internal auditors in the ethical culture of institutions is further considered.

2.4.2.1. Ethical culture

Kaptein (2010:516) refers to an ethical culture as those elements of the institutional context that are aimed at inhibiting unethical behaviour or wrongdoing while at the same time promoting ethical behaviour. 'Wrongdoing' in this context is defined as illegal, immoral or illegitimate practices. Similarly, Riivari, Lämsä, Kujala and Heiskanen (2012:312) define ethical culture as those institutional aspects that stimulate ethical conduct. There are several dimensions of ethical culture in institutions, namely:

- clarity – refers to the extent to which institutions have ethical expectations, such as values, norms and principles, which are concrete and understandable to employees; and
- the consistency of management – means the extent to which managers apply institutional standards to their own behaviour. This second dimension is important, as managers act as role models to subordinates in reinforcing the importance of ethics and the clarity of standards. It is also critical since the ethical behaviour of management plays a role in instilling trust and encouraging subordinates to report any unethical behaviour to them (Kaptein, 2010:517).

On the other hand, Kohlberg (1971:1) identifies three levels of moral development:

- *pre-conventional level*: at this level, individuals, mainly children, respond to cultural rules and labels of what is regarded as good and bad as well as right and wrong. The individual would abide by these rules in order to obey authority and avoid punishment and not because of respect for a fundamental moral order;

- *conventional level*: here, individuals seek to maintain expectations of society, such as social order, to which they are loyal; and
- *post-conventional or principled level*: at this level, individuals make conscious decisions to define moral values and doctrines that are valid and have application outside of groups of people who hold authority, and their own identification with such groups.

Kohlberg (1971:2) further refers to the universal ethical principle orientation at the post-conventional level, at the core of which are universal principles of justice, reciprocity, equality for human rights and respect for human dignity. It is believed that the post-conventional level is the ideal level at which individuals should operate. However, this is not always the case, as will be shown below. This status quo has necessitated functions such as an internal audit function. The role of an internal audit function in this regard is elaborated on above (cf. section 2.4.2).

2.4.2.2. Ethics and accountability in public administration

Section 195 of the Constitution of 1996 emphasises that there must be a high standard of professional ethics in the public sector (RSA 1996:67). Nevondwe *et al.* (2014:267) posit that ethics are the foundation and reason for governance (cf. section 3.4), because an ethical culture ensures that an institution is administered ethically, which also puts the institution in good standing with its stakeholders. Public officials are thus expected to act in a manner that is acceptable, effective, efficient, proper and fair whilst carrying out their duties, as well as being accountable for their actions.

Various publications seem to emphasise that cases of financial misconduct include material losses to the state through criminal conduct, and unauthorised, irregular, fruitless and wasteful expenditure by public officials, which ultimately does not benefit the public (Pauw *et al.* 2002:24; Myrick, Dawood & Maphiri, 2008:68). It could thus be concluded that acts of financial misconduct are unethical as highlighted by Kuye, Thornhill and Fourie (2002:192–193). These authors define ethics in the public service as that which is considered right, and the proper behaviour of political office-bearers and public officials. Similarly Pauw *et al.* (2002:329) argue that ethics in the public sector have to do with moral requirements of public officials whilst carrying out their duties, and as such has to do with the personal morality of officials, codes of conduct and what is permissible and not permissible in public life. Additionally, Maserumule (2014:969) maintains that an

ethical act is one that is consciously aimed at being right and good. Furthermore, it is stated that being ethical does not only encapsulate actions but also includes how officials make decisions when faced with choices that have an ethical implication (Maserumule, 2014:969). In this context, accountability is an important consideration. Accountability is regarded as holding elected or appointed individuals and institutions that have a public mandate accountable to the public for the actions, activities and decisions that they take or make. Accountability from a financial management perspective, therefore, focuses on the ability to account for the allocation, use and control of public spending and resources according to legally accepted standards with regard to budgeting, accounting and auditing (Gildenhuys, 1997:56; Khalo & Fourie, 2006:134; Bovens, Schillemans & Hart 2008:225).

The PFMA states that the accounting authority of a public institution is accountable for all financial matters pertaining to that institution (RSA, 1999a:39). An accounting authority has the responsibility of ensuring that the finances of an institution are managed as stipulated in the PFMA. However, accounting authorities are dependent on other managers within the institution, who are accountable to them, in terms of managerial accountability. Managerial accountability is concerned with the delegation of responsibilities by an accounting authority to line managers in terms of legislation such as the PFMA. The aim of managerial accountability is to ensure that public institutions deliver services effectively, efficiently and economically, and that the necessary controls and procedures are adhered to (Kuye *et al.*, 2002:123; Pauw *et al.*, 2002:30; Fölscher & Cole 2006:21).

2.4.2.3. Dimensions of accountability

Sambo (2005:42) highlights that the South African Government of National Unity (GNU), i.e. the coalition government, which consisted of majority parties and which was constituted in South Africa between 1994 and 1997, emphasised its commitment to improving the lives of the people of South Africa. The commitment was demonstrated through starting processes to transform the public service into one that is representative, coherent, transparent, efficient, effective, accountable and responsive to the needs of all South Africans. The principle of accountability is promoted by the PFMA and is in line with the notion of New Public Management (NPM) (cf. section 3.3). At the same time, there are dimensions of accountability, which are normally at play in public administration, which are worth noting. The extent to which the dimensions guide the behaviour of public officials is dependent on the presence of transparency and the efficiency of democratic

institutions, including the media. These dimensions are (Kuye *et al.*, 2002:193):

- a legal dimension, which refers to the rule of law;
- a fiscal dimension, which relates to the use of public funds;
- policy and performance dimensions, which refer to meeting goals, promises and expectations;
- a democratic dimension, which relates to democratic legitimacy and respecting democratic processes; and
- an ethical dimension, which refers to how individuals carry or conduct themselves in terms of codes of conduct or moral standards.

Public officials and political office-bearers would thus be expected to be accountable to the public when carrying out their duties in all of the above dimensions, in order to promote transparency.

Unethical conduct, on the other hand, includes the following: inefficiency and ineffectiveness in the carrying out of duties as well as corruption, which refers to the unethical use of public office for personal or private benefit (Fijnaut 2002:4). The following are categories of corruption (Fijnaut 2002:4; Pauw *et al* 2002:333):

- kickbacks: occurs between public officials and private individuals and requires a public official to commit a dishonest act that benefits the private individual. In return, the private individual gives the public official money or gift;
- fraudulent cheque payments: takes place when public officials authorise cheque payments to individuals who have not delivered the goods or services they claim they have;
- theft or embezzlement of state assets: occurs when public officials take possession of assets belonging to the state;
- extortion: takes place when public officials commit acts that prejudice the state because of threats, intimidation and promises made by third parties against them;
- engaging in business dealings where the public official has a conflict of interest;
- unauthorised disclosure of confidential information for private gain;
- nepotism in processes of hiring employees; and
- fraud: can be regarded as an intentional practice that involves the use of dishonesty and financial benefit by the wrongdoer, resulting in a form of material loss to the public institution that has been defrauded (Kuye *et al.*, 2002:193–194; Pauw *et al*, 2002:332; Coram *et al.*, 2008:545).

It was deemed necessary to describe the categories of corruption above, as most of the operational risks that face SASSA (cf. Table 6.1) relate to fraud (which is a category of corruption as noted above) and financial misconduct. Furthermore, financial misconduct, such as irregular expenditure, may have an element of corruption. By way of example, irregular expenditure is expenditure that was incurred without following the correct procedures as required the PFMA or the PPPFA (cf. section 1.6). This could be the appointment of suppliers, which did not follow the correct processes. Accounting authorities are required to follow various processes when appointing suppliers, depending on the value of the goods or services being bought or acquired. In this regard, for requirements of a value between R2 000 and R10 000, at least three verbal or written price quotations should be obtained from a list of prospective suppliers. For requirements of up to R500 000, written price quotations should be invited from as many suppliers as possible, who are registered on their list of prospective suppliers. For requirements of over R500 000 competitive bids should be advertised in a Government Tender Bulletin and in other appropriate media, as deemed necessary by an accounting authority (National Treasury, 2007/8:2).

Deviations from the requirement for competitive bids are allowed in cases where it is not practical to go through the process of competitive bidding, because of emergencies or in the case of a sole supplier. However, the accounting authority would have to acquire price quotations or negotiate the price with a sole supplier in accordance with Treasury Regulation: PFMA 16A6.4 (National Treasury, 2005:51). In this context, there is the possibility of an official getting a bribe from a supplier in order for the supplier to be awarded a contract irregularly, without following the above processes of appointing suppliers as required by the PPPFA. In the absence of adequate internal controls, such opportunities for awarding contracts irregularly are further created.

2.4.2.4. Developments pertaining to public sector ethics

Pauw *et al.* (2002:329) highlight that there has been an increase in the number of cases of unethical behaviour by public officials in the South African government. Moreover, the transition that has taken place in South Africa, from apartheid to democracy – whereby the democratic government is spending a sizeable budget on various infrastructure and social projects aimed at addressing deficiencies of the apartheid government, such as building schools, health care facilities as well as social assistance programmes – has the potential to create opportunities for dishonesty to take place. By way of example, the 2015

budget review projected that an amount of R813.1 billion would be spent on infrastructure over a three-year period (National Treasury, 2015:1). Furthermore, the budgeted amount for social grants for the 2017/18 financial year is reported at R178 billion, which represents 3.2% of the GDP (National Treasury, 2018:62).

It is thus believed that projects, which involve contracting with the private sector, create opportunities for corruption or corruption vulnerabilities (Anechiarico & Jacobs, 1995:173). Similarly, Fijnaut (2002:9) remarks that countries that are going through processes of privatisation, liberalisation and democratisation, are likely to experience incidents of corruption, as the periods of transition create opportunities for corrupt activities to take place. Internal and external auditors regard sound financial management practices, which include timely and efficient accounting systems, coupled with regular reviews as crucial in the prevention of corrupt activities in the public sector. Institutions – such as an ombudsman who plays the role of recommending improvements to procedures and practices, and who ensures that the activities of public officials are in order – play an important role.

Anti-corruption agencies – which amongst other things play the role of raising awareness among public officials and encouraging the prevention, detection and investigation of cases of corruption – play a crucial role in the prevention of said corruption. An auditor general acts as a watchdog over the integrity of financial information that is reported. The role of an auditor-general in the management of public finances is critical, and needs to be augmented by establishing working internal controls and effective internal audit functions within public institutions. Effective internal controls, which can be recommended by internal audit functions, play an important role in preventing malfeasance from occurring in public institutions (Walker & Mengistu, 1999:69).

2.4.2.5. Measuring corruption

Fijnaut (2002:5) highlights that empirical research on the extent of corruption in the public sector is sketchy, as corruption happens in secrecy. The empirical data that is available is thus made up of rough estimations and statistics on those criminal cases involving corruption that were discovered and investigated, and where perpetrators were convicted. Opinion surveys that measure the degree of corruption in a country as perceived by business people, risk analysts and the public, such as the Corruption Perceptions Index (CPI), which has been published since 1995, are also available. It is thus believed that

indices such as the CPI are not accurate but merely reflect perceptions. However, these perceptions are important as once a country is perceived as corrupt, it takes time for that perception to be reversed (Fijnaut, 2002:6). Pauw *et al.* (2002:333) assert that when institutions of governance are weak, public policies are not adequate in preventing corruption, and when oversight institutions are marginalised, this creates an environment for corruption to flourish. Leaders in public institutions where governance is found to be weak, have to lead by example and shun corruption, while at the same time building and promoting ethical environments.

2.4.2.6. Causes of unethical behaviour

Kuye *et al.* (2002:194) posit that unethical behaviour such as corruption in the public sector is caused by personal greed and dishonesty. Fijnaut (2002:4) highlights that the political causes of corruption are the values and norms of politicians and public officials, as well as their commitment to public integrity. Furthermore, the organisational quality of the public sector has a bearing on the prevalence of unethical behaviour in a public institution (cf. section 2.4.1). Organisational quality of the public sector, which is affected by both internal and external factors, refers to the working conditions, control and auditing, the relationship between government and the private sector, and other social factors, such as the prevalence of organised crime in societies. In addition, when public officials are not paid well, and when their working conditions are not favourable, chances of those officials behaving ethically are low (Fijnaut, 2002:4).

Pauw *et al.* (2002:337–340) remark that in order for corruption to take place, the following should be in place: dishonesty, opportunity and motive. The authors argue that **dishonesty** manifests because of weak values, which refers to individuals who do not regard ethical behaviour as important. **Opportunity** is created by the presence of weak systems that do not prevent opportunities for corruption, such as fraud, from taking place. Similarly, Coetzee (2014:829) contends that when administrative control systems are weak, the possibility of corruption increases. **Motive** exists when individuals believe that, if they are caught in the act of committing corrupt acts, there would be no serious repercussions. Measures used to counter corruption should thus aim to reduce the existence of the above three factors. According to Fijnaut (2002:9), it is important for anti-corruption strategies to match the characteristics of the perpetrators and the environment within which they operate. Leadership is also critical in the fight against corruption, and should demonstrate that there is political and administrative will to fight corruption by

setting the tone through policies (Fijnaut, 2002:9).

Furthermore, Kuye *et al.* (2002:194–195) identify the following factors as causes of unethical behaviour.

2.4.2.6.1. Psychological factors

Human beings are by nature not perfect and in most instances, they crave power. As such, if an opportunity presents itself, they may be tempted to put self-interest before public interest.

2.4.2.6.2. Social factors

There are various social factors that result in corruption, such as the perception that wrongdoing will go unpunished. When leaders in key positions do not lead by example, by exemplifying ethical behaviour, chances of unethical behaviour occurring are high.

2.4.2.6.3. Economic factors

Economic factors, such as unequal wealth and low salaries compared to standards of living, are likely to cause fertile ground for corruption.

2.4.2.6.4. Institutional factors

Institutional factors, such as outdated policies and procedures and inadequate supervision, may create environments that make it easy for officials to commit unethical acts. The current study can be located at this juncture, as an internal audit function in the South African public sector is implemented within the framework of the PFMA, which is a policy framework for the management of public finances. In Chapter seven of the thesis, recommendations are made for possible amendments to the PFMA and Treasury Regulations: PFMA, in order to ensure greater effectiveness of the internal audit function.

2.4.2.6.5. Complex legislation

If officials find legislation that is aimed at dealing with unethical behaviour complex to apply, its application may counter its intentions, which may leave room for unethical behaviour to take place. Complex legislation may also lead to various interpretations by officials.

2.4.2.6.6. Lack of ethical awareness

Ethical dilemmas occur where there is a lack of ethical awareness by public officials. Kuye *et al.* further remark that a lack of awareness might be caused by ineffective communication between officials at lower levels and those higher up in the hierarchy.

2.4.2.6.7. Deficient control and accountability

Various authors emphasise that in public financial management, 'internal control systems' refer to various management tools that aim to:

- achieve, amongst other things, compliance with rules and regulations;
- ensure that the financial information of an institution can be relied upon; and
- enable an institution's operations to run effectively and efficiently (Sarens & De Beelde 2006:463; Allen *et al.* 2013:374).

A sound internal control framework is thus aimed at assuring the public that government operations have achieved basic fiduciary standards in areas such as:

- averting the misuse and inefficient use of financial and human resources;
- preserving assets;
- achieving budget objectives;
- avoiding fraud; and
- ensuring that financial information is produced on time and is reliable (Sarens & De Beelde 2006:463; Allen *et al.* 2013:374).

Badara and Saidin (2014b:77) remark that governments are recognising the importance of effective internal controls, and specifically their internal audit functions, as these have a significant positive influence on good governance (cf. Vafaei & Christopher, 2014:3). Coetzee (2014:830) posits that governance is regarded as good when a government achieves its goal of creating conditions for good and satisfactory quality of life for all citizens. The author further refers to good governance as involving fairness, accountability, responsibility and transparency. Internal controls, therefore, are one of the pillars of good governance in a country, which guard against improprieties (Allen *et al.*, 2013:374). Sarens and De Beelde (2006:464) suggest that internal auditors should be able to assist management in identifying substantial control failures and formulate recommendations for improvement. In doing this, internal auditors elevate their profiles, and are seen to be contributing to an effective internal control structure that improves the quality of information for decision-making purposes.

Myrick *et al.* (2008:68) argue that financial misconduct in government institutions could be attributed to a lack of effective internal controls. Such internal control systems need to be strengthened in order to deal effectively with financial misconduct. Similarly, Kuye *et al.* (2002:195) and Pauw *et al.* (2002:332) remark that there is a strong correlation between unethical behaviour and the non-existence of internal controls, and that if control is not applied effectively, dishonest officials may exploit this for personal gain. At the same time, channels of communication that would enable accountability need to be created. The current study therefore could be located at this juncture as well, as it considered the effectiveness of SASSA's internal audit function in making recommendations pertaining to controls that aim to prevent financial misconduct.

2.5. CONCLUSION

In this chapter, the researcher reported on literature that addresses the two central themes of the study: internal auditing and financial misconduct. The aim was to locate the study within the body of literature that considers the role of internal auditing in improving internal controls, which contribute to the curbing of financial misconduct. Firstly, the researcher described literature on the internal audit function in detail. The description of the internal audit function focused on, amongst others, the evolution of the function and how the function can now be employed from an *ex ante* perspective, in an effort to avert financial misconduct.

Furthermore, it was argued that effective internal controls, such as an internal audit function, could play an important role in preventing malfeasance from occurring by identifying any irregularities and making recommendations pertaining to ways to prevent these from occurring in the future. This is because an internal audit function is a key governance tool in protecting institutions from internal criminal behaviour, including financial misconduct. The above essentially located the current study within the literature of internal auditing, which focuses on the role that the internal audit function could play from an *ex ante* perspective as opposed to a *post facto* approach.

In addition, the description of the internal audit function revealed that it could play a critical role in ensuring that a public institution achieves its goals. It was shown that the presence of an effective internal audit function in a public institution is likely to result in accurate financial reporting.

The internal audit role has been extended to include advisory services to management on various issues, deemed fit by management over and above the traditional assurance role. However, a balance needs to be found between assurance and advisory services, in order for the internal auditor to maintain independence from management. The role played by an audit committee in supporting the work of the internal audit function was also emphasised. It was pointed out that it is important that members of an audit committee have technical skills in areas such as accounting and information technology (IT) in order for them to fulfil their roles adequately and efficiently. The importance of assessing the performance of members of audit committees, using both self-assessments and independent assessments, was also emphasised.

Furthermore, the attributes of internal auditors, which have implications for the effectiveness of an internal audit function, were described. These are characteristics of internal auditors, and relate, amongst others, to objectivity of internal auditors, which is important in enabling auditors to gain trust from stakeholders. Attributes of an internal audit function itself refer to: *the quality of work produced by the function*, which is enabled by the presence of skilled auditors, amongst other things; and *support by members of a public institution*, which relates to support that an internal audit function enjoys from senior management and the existence of an audit committee.

The support that an internal audit function enjoys from senior management is important, as senior managers have to encourage their subordinates to implement recommendations by internal auditors. The existence of an audit committee is also important in promoting the independence of the internal audit function. *Experience of the internal auditor*: assumes that an experienced internal auditor is likely to achieve good quality audits and make better recommendations. *Cooperation between internal and external auditors*: postulates that a good working relationship between internal and external auditors, where there is exchange of information, is to the benefit of a public institution. This is because the cooperation and coordination of activities by both parties would eliminate any duplication of effort, culminating in effective and quality audits.

Lastly, the debate on whether an internal audit function should be outsourced or co-sourced was described. The arguments for and against outsourcing or co-sourcing the function were highlighted. It was pointed out that the main reason for outsourcing or co-sourcing the function is a lack of internal audit skills within public institutions. However, it

was found that an internal audit function plays an important governance role in a public institution, and as such should not be outsourced.

Secondly, the researcher considered literature on financial misconduct. The description of financial misconduct focused on the various forms of financial misconduct, such as irregular expenditure, unauthorised expenditure as well as fruitless and wasteful expenditure. This section also reflected on literature on ethics, as incidents of financial misconduct are unethical acts, which manifest because of values of public officials and opportunities created by weak internal control mechanisms or a lack of such mechanisms. In addition, financial misconduct was explained within the context of *organisational-political embeddedness theory*, which posits that differences in political structures provide different degrees of opportunities to engage in financial misconduct. Organisational-political embeddedness theory is consistent with the concept of *differential social organisation*, which suggests that some social structures, such as those that allow for money to be transferred in an irregular manner, provide for greater opportunities to commit crime than others do. The aforementioned two theories highlight that regulatory policy, enforcement structures, economic conditions, and organisational characteristics all have an influence on the prevalence of financial misconduct. It is thus believed that when internal auditors carry out their work, they should consider the aforementioned factors, in order for them to provide management with recommendations that would improve the internal control environment, and subsequently reduce cases of financial misconduct.

CHAPTER THREE

REVIEW OF THE LITERATURE ON PUBLIC POLICY IMPLEMENTATION AND NEW PUBLIC MANAGEMENT

3.1. INTRODUCTION

In this chapter, the researcher reports on literature on public policy implementation. The literature provided the necessary grounding for the study, as the study was an empirical one, which aimed to solve a real-life problem about the implementation of the internal audit provisions of the PFMA. The policy implementation literature inter alia reflected on different schools of thought found in policy implementation, as well as variables that explain non-compliance with policy stipulations, which may lead to misconduct, including financial misconduct. Under this description, the measures for successful policy implementation are also highlighted.

New Public Management (NPM), a reform strategy that aims to transform bureaucratic administrative systems will be considered. Under this consideration, the emerging management practices related to NPM, such as performance management, will also be considered. Furthermore, this section will also highlight that the implementation of NPM reforms may present increased opportunities for financial misconduct, thus impede the realisation of the objectives of the PFMA, which amongst others is to ensure that waste and corruption in the use of public finances are eliminated (cf. section 1.2). Lastly, a reflection on Public Choice theory will also take place. The theory explains the tendency of public officials to act in their own interest, which may lead to cases of financial misconduct, because of opportunities created by NPM related practices. In this regard, the internal audit function is believed to play a role in making recommendations for the institution of internal controls that would prevent or reduce financial misconduct.

3.2. THE THEORY OF PUBLIC POLICY IMPLEMENTATION

As highlighted above, this study focused on the implementation of the internal audit provisions of the PFMA, a policy framework for the management of public finances in South Africa. Brynard (2005:4) explains that while there are many definitions of policy implementation, one worth mentioning is that the process of policy implementation involves the actions of public or private individuals, which are directed at achieving objectives, set forth in prior policy decisions (cf. Cloete & Wissink, 2000:166). Similarly,

Grindle (2017:6) cites that the role of policy implementation is to establish a link that makes it possible for the goals of public policies to be accomplished, as outcomes of government activity.

Agency theory (cf. section 2.3.1.1) postulates that, in the process of achieving said policy decisions, public managers – who are regarded as agents of the leaders of public institutions – may deviate from carrying out their duties according to the way the leaders of the institutions would expect them to, and instead pursue their own personal interests. This situation can be managed by the presence of corporate governance mechanisms, such as audit committees or external and internal auditors, who can ensure that managers carry out their duties as expected by the leaders (Al Mamun *et al.*, 2013:38; Vafaei & Christopher, 2014:7).

Brynard (2005:3) further argues that, in a policy context, South Africa has gone through significant policy reviews, especially in the period 1995 to 1996, which has been termed the 'White Paper Era'. From 1997 to 2003, the focus shifted to service delivery and implementation of policies. Some of the policies that were implemented during the period 1997 to 2003, are the Broad-Based Black Economic Empowerment (B-BBEE) Act (Act No. 53 of 2003) (RSA, 2003) and the PPPFA (Act No. 5 of 2000) (RSA, 2000d). Brynard (2005:3) confirms that for the successful implementation of policies and the enhancement of service delivery, it is important to improve on the strategies adopted to implement the policies.

Parsons (1995:461) comments that policy implementation studies are concerned with how change occurs, and how this may be encouraged. This is because the objective of implementing a policy is to achieve certain changes. The process of policy implementation also seeks to understand how institutions outside and inside a political system conduct their affairs and interact with one another, what motivates them to act in the way they do, and what may motivate them to act differently. O'Toole (1986:182) highlights that implementation research originated in the United States of America.

Similarly, various other authors are of the opinion that implementation studies emerged during the 1970s in the United States of America, as a reaction to growing concerns over the ineffective implementation of many policies (Sabatier, 1986:21; McLaughlin, 1987:171; Fischer, Miller & Sidney, 2007:89). However, the 1980s saw research on policy implementation originating from researchers in Western Europe. At that stage, it was discovered that the individuals responsible for implementing policies did not always do as they had been instructed, nor did they always act in a manner that would lead to the realisation of policy objectives. McLaughlin (1987:171) further remarks that the success of policy implementation depends on what happens as individuals in the policy system interpret the policy. Factors such as size of the institution intra-organisational relations, commitment of official's capacity and institutional complexity influence the outcome of implementation (cf. section 3.2.6).

3.2.1. Generations of policy implementation

Three generations of policy implementation can be distinguished. The first generation of policy implementation was dominant in the 1970s, and held a negative view of implementation, as there were many examples of policies that had not been implemented as envisaged by the legislative authorities. The second generation of policy implementation began to build theoretical frameworks and hypotheses, which culminated into two dominant approaches to policy implementation, i.e. the top-down and the bottom-up approaches to policy implementation. The third generation of policy implementation considered bridging the gap between the top-down and the bottom-up approaches by incorporating insights from both approaches into theories of implementation (Fischer *et al.*, 2007:89).

Matland (1995:146) asserts that the review of policy implementation literature revealed that many variables had been discovered and, consequently, there was no longer a need

for more variables to be discovered, but for structure in implementation studies to be sought among the existing variables. The process of seeking structure among the existing variables in implementation studies, as suggested above, can be done by looking closely at the policy implementation approaches, which are discussed in detail below. Hill and Hupe (2002:181) cite that implementation should be managed in context and on a case-by-case basis, because it is largely dependent on specific configuration factors that include variables such as political will. Managing the process of policy implementation according to a particular context and on a case-by-case basis acknowledges that implementation should take into account the realities of the environments in which the implementation is taking place.

3.2.1.1. Top-down approach to policy implementation

The top-down approach is one of the approaches within the second generation of policy implementation, and considers policy designers as key players in the implementation process (Matland, 1995:146). This approach is based on a rational model approach, which asserts that central policymakers set out policy objectives (Denhardt & Catlaw, 2015:85-86). Furthermore, a linear relationship between agreed policy goals and their implementation is assumed, implying that adequate bureaucratic procedures need to be established in order to ensure that policies are implemented accurately. This requires that implementing institutions should have sufficient resources, responsibilities must be clear and there must be hierarchical control to supervise the implementation (Matland, 1995:146). The implementation of the PFMA is done within a top-down context because the National Treasury is the custodian of the Act and the management of public finances in general. The PFMA was promulgated as follows, the first bill (now Act No. 1 of 1999) (RSA, 1999a), which applied only to the national sphere of government, was passed as a section 75 bill as outlined in that section of the Constitution of 1996. The second bill (now Act No. 29 of 1999, the Public Finance Management Amendment Act) (RSA, 1999b), which amended Act No. 1 of 1999 (the PFMA) and incorporated the provinces was passed in terms of section 76(1) of the Constitution of 1996 (RSA, 1996:27–29).

The top-down approach is based on a number of assumptions (Matland, 1995:146):

- policy goals must be clear and consistent;
- the number of actors must be minimised;
- the extent to which change occurs must be limited; and
- the responsibility to implement must be placed in an institution that is sympathetic

to the policy goals.

It is believed that the basis, on which the approach is said to work as described above, may not be feasible all the time, specifically the necessity to place a policy at an institution that is sympathetic to its goals.

Sabatier (1986:22) highlights that the top-down approach to policy implementation starts with a policy decision made by legislators, and then asks the following questions:

- To what extent were the actions of implementing individuals and target groups consistent with the objectives and procedures of a policy decision?
- To what extent were the objectives achieved over time?
- What were the main factors, relevant to the implementation of the policy that had an impact on the output of implementation, including those that are politically significant?
- How has the policy been reformulated over time based on experiences?

Sabatier (1986:22) further states that, over time and within the top-down approach, the period within which evaluation studies on policy implementation were previously done had been reviewed, from a four-year period to a ten- to fifteen-year period. The longer time span of ten to fifteen years is useful because over time, objectives are clarified, research and adequate causal theories are developed, and supportive constituencies are fostered at both central and local levels of government. This also allows for a process of policy learning to take place, wherein deficiencies in the existing policy are discovered, resulting in a series of strategies being developed to deal with them. The change in the evaluation period has also helped in producing a less pessimistic evaluation of government when it comes to its effective implementation of policies (Sabatier, 1986:28&38). The evaluation that took place through the current study is in line with the extended period, as it took place 18 years after the PFMA had been promulgated.

3.2.1.1.1. Criticism of the top-down approach

Criticism of the top-down approach includes that it sees implementation only as an administrative process and not as intertwined with political aspects, which may lead to policy failure (Matland, 1995:146). Similarly, Long and Franklin (2004:309) define the politics–administration dichotomy according to Woodrow Wilson (cf. Denhardt & Catlaw, 2015:49–50) as a model in which politicians make policy decisions and the implementation of the policies is assigned to public officials. In this way, boundaries are

set between political office-bearers and public officials. However, the so-called politics–administration dichotomy could be a misnomer, as it is rarely possible to separate politics from administration. Furthermore, the top-down approach considers local implementers as obstacles to successful implementation, and as such, the approach suggests that the behaviour of local implementers should be controlled (Matland, 1995:146). In addition, the assumption that a policy starts and ends with central decision-makers ignores other stakeholders. This approach assumes that the legislature is the key stakeholder and that other stakeholders are impediments to the implementation process. The top-down is thus likely to result in legislatures ignoring input from other stakeholders, such as local implementing officials and other policy subsystems, to the detriment of the implementation process (Matland, 1995:146).

3.2.1.2. Bottom-up approach to policy implementation

The bottom-up approach to policy implementation is the other approach within the second generation of policy implementation. It emerged because of criticism of the top-down approach. Several studies showed that political outcomes had not always sufficiently related to original policy objectives and that the assumed causal link was questionable (Fischer *et al.*, 2007:92). Theorists therefore suggested studying what was actually happening at the recipient level of policies and analysing the real causes that influence action on the ground. The suggestion by the top-down approach, that policies are defined at the central level and that implementers need to comply with these objectives, was rejected by this approach. In contrast to the top-down approach to policy implementation, the bottom-up approach argues that a more realistic understanding of policy implementation can be sought by looking at policy implementation from the point of view of the target population and the people responsible for implementation (Fischer *et al.*, 2007:92).

The bottom-up approach acknowledges that most implementation problems are experienced at the micro level of policy implementation, resulting in variations in the way in which a national policy is implemented at the local level. There are contextual factors at the local level that can dominate rules created at the top, making it necessary for local implementers to be given the freedom to adapt the policies to local conditions. The success of a policy is therefore largely dependent on the skills of individuals in the local implementation structure, and not so much on central activities. The bottom-up approach, thus recommends that in implementing a policy, the strategy to do so should be flexible

and should allow for adaptation to local difficulties and contextual factors (Sabatier, 1986:32).

The bottom-up approach accentuates that the policy implementation process should include multiple actors and institutions. Implementation analysis should start by identifying networks of relevant stakeholders who are part of the implementation. Once the stakeholders had been identified, this is followed by asking them about their goals, strategies, activities and contacts. The contacts are used as a vehicle for developing a network of local, regional and national actors involved in the planning, financing and execution of relevant governmental and non-governmental programmes. This is considered necessary in moving from local implementers, so-called 'street-level bureaucrats' to top policymakers (Sabatier, 1986:32).

The researcher believes that even though the PFMA is implemented within a top-down context, the implementation variables suggested by the bottom-up approach should be taken into account in the context of internal auditors. The variables include emphasis on the fact that successful policy implementation is dependent on the skills, attitudes, experiences and knowledge of officials in local implementation structures as opposed to instructions from central government officials (cf. section 2.3.5.2).

3.2.1.2.1. Criticism of the bottom-up approach

The first criticism of the bottom-up approach is that in a democratic system, a policy should be controlled by elected office-bearers, in line with democratic theory, which postulates that elected office-bearers are accountable to voters who elected them into office. Secondly, flexibility and autonomy may lead to policies that result in lower performance on official goals, as the central decision-makers have ceded some of their control to local implementers, who may interpret the policy differently. It is thus argued that decentralisation of power to local implementers should occur within a context of central control (Matland, 1995:149–150). Furthermore, the focus of the approach on stakeholder goals and strategies may undermine the influence of central government over policy goals and strategies. The ability of central government to influence the institutional structures, within which the stakeholders operate, may thus be undermined (Sabatier, 1986:35).

The researcher believes that the bottom-up approach to policy implementation is correct, as there are contextual factors at the local levels where policies are implemented that can dictate rules created at the top. This would require that local implementers be given the freedom to adapt policies to local conditions. However, the process of identifying networks of stakeholders involved in service delivery in local areas may not be feasible as this may require additional human resources, and as a result may be costly to the government, which has limited financial resources.

3.2.1.3. The third generation of policy implementation

The debates between the top-down and bottom-up scholars led to a synthesis of both approaches. Some of the attempts at synthesising the two approaches are discussed below.

3.2.1.3.1. Synthesising the top-down and bottom-up approaches

Scholars such as Elmore, who was previously categorised as a top-down scholar, later combined his work with elements of the bottom-up approach. Elmore added the concepts of backward and forward mapping. The former relates to identifying the incentive structure of implementers and target groups, and the latter to starting the policy implementation process by first considering the policy instruments and available resources for policy change. Contrary to his previous belief, Sabatier, who is a top-down scholar later argued that failing to differentiate between policy formulation and implementation would disqualify the study of policy implementation (Fischer *et al.*, 2007:95).

Following Sabatier's aforementioned change in belief, an advocacy coalition framework was developed, which explained policy implementation as a whole. The advocacy coalition framework deals with problems of goal conflict, technical disputes and multiple actors from different levels of government. The framework has similarities with the bottom-up approach, with its analysis starting from a policy problem to reconstructing strategies of relevant stakeholders to solve the problem. Policy learning and the importance of social and economic conditions that may affect the policymaking process are emphasised by this framework. The approach, however, does not take into account the social and historical contexts within which implementation takes place. Discourse analysts address this shortcoming through arguing that discourses, which refer to the overall vocabulary used in a particular field of intellectual enquiry (legal or medical) and social practice, shape actors' perceptions and may influence political elites' interpretation

of social events (Fischer *et al.*, 2007:95).

Wildavsky, a top-down scholar later presented a model that was similar to the advocacy coalition framework. The model argues that implementation of policies is an evolutionary process wherein policies are constantly reshaped and redefined. Although the implementation process starts from central decision-makers (top-down approach), Wildavsky's model acknowledges that inputs will be changed in the process of implementation. Incremental learning processes are central to the model. Scholars such as O'Toole continued to support the perspective that policies are defined centrally and implemented by low-level administrators. However, the author also embraced the fact that implementers are political actors in their own right, and that the process of implementation is complicated and requires negotiations between central authorities and implementers (Fischer *et al.*, 2007:96–97).

Sabatier (1986:38) states that an important feature of the policy process, namely the extent of policy-orientated learning was missed when implementation studies, using the top-down approach, used a short time span of four to five years to evaluate the effectiveness of policy implementation (cf. section 3.2.1.1). However, the top-down nature makes it difficult to focus on learning by those opposing the implementation. This can be addressed by incorporating the bottom-up technique of understanding the strategies of many actors affected by a policy, at the same time learning from experience (Sabatier, 1986:38).

Parsons (1995:487–489) on the other hand, says that trying to combine the top-down and bottom-up approaches is in a sense not logical because the two approaches are disproportionate paradigms. The top-down approach works within a framework that focuses on decision and power as well as the potential for decision-makers to effect change in society. The bottom-up approach, on the other hand, regards implementation as a process of policymaking, and empowerment of those who are targets of the policy that is being implemented. The frameworks, values and beliefs of the approaches are in conflict and provide competing frameworks of analysis and prescription, resulting in the synthesis producing a consensus that is in reality not evident.

Sabatier (1986:38) cites that policy implementation should adopt multiple frameworks and that models of implementation should not be regarded as rival hypotheses, which could

be empirically proved, but as ambiguous and conflicting frames of assumption. An attempt, therefore, to combine different approaches to create a synthesis based on the strengths of the two is a somewhat misguided exercise. Sabatier further states that analysing the complexity of approaches should not be a quest for synthesis but should allow one to recognise the differences, partiality, incompleteness and distortions that are inherent in human knowledge and discourse. Each of the two approaches to implementation have a comparative advantage in explaining and providing insights into the realities of implementation in different contexts (Sabatier, 1986:38).

The researcher believes that the top-down and bottom-up approaches to policy implementation are varying approaches, however, the top-down approach may find it useful to take into consideration some of the variables highlighted by the bottom-up approach (cf. section 3.2.1.2). The aforementioned variables include emphasis on the fact that successful policy implementation is dependent on the skills, attitudes, experiences and knowledge of individuals in local implementation structures as opposed to central government officials (cf. section 2.3.5.2).

3.2.2. Discourses in policy studies

Fischer *et al.* (2007:101–102) emphasise that forces that drive the process of implementation studies have contributed to three wider debates in discourses in policy studies:

- Firstly, implementation research has contributed to debates in Public Administration and organisational theory about the character of *modern bureaucracies*. It is the argument of bottom-up scholars that local policy implementers should not be controlled by politicians but instead should have some autonomy in determining how policies are actually implemented. This contradicts the belief by top-down scholars who believe that a Weberian model exists whereby a hierarchically organised and technocratic bureaucracy is subordinate to the authority of political leaders. Governments, therefore, have much more complex institutional structures and are less hierarchically controlled. Furthermore, implementation studies have shown that local policy implementers have their own political goals, and they use the significant discretion they often have to pursue these goals rather than the ones prescribed by the politicians above them.
- Secondly, the debates on political steering and governance, which came to the fore in the 1970s, were characterised by political planning approaches, and started

from the assumption of a hierarchical relationship between an active state and a passive society, which is a view of the top-down approach. In this view, the ability of political leaders to shape society according to politically defined goals was limited by lack of scientific knowledge about the most pressing problems to be solved, and the ability of the state to implement the correct political strategies to resolve the problems. Under this model, the findings of implementation scholars about the complexities and problems of policy execution resulted in criticisms, which were a serious setback to the model. These developments thus gave rise to a new, non-hierarchical model of political steering. The new keyword of this model is *governance*. Frederickson (2004:3) postulated that Harlan Cleveland is regarded as the first person to have used the word 'governance' as an alternative to 'public administration' in the mid-1970s, where it was stated that people wanted less government and more governance (cf. section 3.4 for a detailed description of governance).

- Thirdly, implementation scholars, led by those from the bottom-up approach, were concerned about whether classical liberal democratic theory was still appropriate in a world where elected representatives, administrative actors and interest groups have a decisive say in shaping and delivering policies. Classical liberal democracy is a theory that advocates for political and economic freedom and representative democracy coupled with the rule of law. Implementation analysis thus gave an important impulse for the development of alternatives to the model of representative democracy. Two components of theorising were developed under the alternative model of democracy as follows: The Habermasian notion of *deliberative democracy*, which is based on the idea that democratic decisions are consensus-orientated resulting from dialogues between all affected stakeholders. Implementation research scholars have borrowed from the notion of deliberative democracy, and interpretive approaches to policy implementation are based on this model of democracy. Interpretive approaches to policy implementation are approaches to policy analysis that introduce questions about how the meaning of policies is communicated to multiple audiences. The other component, *associative democracy*, does not assume consensus orientation and arguing, but tries to develop democratic standards for the interactions of public and private actors within negotiation systems or policy networks. The model of associative democracy is thus based on the assumption that in modern societies, many non-elected actors, especially interest groups, have a crucial say in policymaking.

Rather than seeing this as a danger for democracy, Fischer *et al.* suggest that these actors, to the extent that they are representatives of certain groups of citizens and their common interests, can also add to the legitimacy of political decisions (Fischer *et al.*, 2007:101–102).

3.2.3. Gaining compliance from policy implementers

The following are types of mechanisms for gaining compliance from policy implementers:

- normative mechanisms, which encourage compliance by referring to a mutual goal between central government and the implementing institution, or by relying on the authority of the person giving the instruction;
- coercive mechanisms, which make use of threats relating to sanctions for failure to comply with a request for action; and
- remunerative mechanisms, which include the use of incentives in the form of additional resources, which make the desired course of action attractive to the implementing institution (Matland, 1995:161; Hill & Hupe, 2002:177).

Hill and Hupe (2002:177) further define involvement by an actor in policy implementation as an evaluation that the actor makes, which subsequently determines his or her level of involvement. A difference is made between alienative, calculative and moral involvement, as follows (Hill and Hupe, 2002:177):

- alienative involvement refers to involvement with a negative orientation, that is, one displayed by individuals who find themselves participating in a programme of which they do not necessarily want to be part;
- calculative involvement can have either a negative or a positive orientation, with low intensity, depending on what the actor stands to gain. For example, positive orientation is achieved when one has been offered a tangible reward such as cash; and
- moral involvement has a positive orientation with high intensity, such as the involvement displayed by a devoted member of a political party.

The kinds of power and involvement are combined to form dimensions of a typology of compliance relations, as illustrated in Table 3.1 below. The following combinations arise:

- alienative involvement and coercive power;
- calculative involvement and remunerative power; and
- moral involvement and normative power.

It can thus be argued that public institutions should strive for the combination of moral involvement and normative power in their implementation of policies, as this is the more positive power and involvement combination. However, public officials, more specifically accounting authorities of public entities, are obliged to comply with stipulations of the PFMA (RSA, 1999a), as will be shown in Chapter four (cf. section 4.5.2). Having the combination of moral involvement and normative power, over and above the obligation to comply with policies placed on accounting authorities, could thus contribute to successful implementation of policies.

Table 3.1: Typology of compliance relations

Type of involvement	Type of power
Alienative	Coercive
Calculative	Remunerative
Moral	Normative

Source: Hill and Hupe (2002:177)

Figure 3.1 below depicts the ambiguity-conflict matrix of the policy implementation process, which is described in detail below. The current study was on the implementation of the internal audit provisions of the PFMA, and it is therefore important that the levels of ambiguity and conflict that may be present in the process of policy implementation be described. It is believed that the level of complexity in a policy could have an influence on compliance with the policy.

		CONFLICT	
		Low	High
AMBIGUITY	Low	<p><i>Administrative Implementation</i></p> <p>Resources</p> <p>Example: Smallpox eradication</p>	<p><i>Political Implementation</i></p> <p>Power</p> <p>Example: Busing</p>
	High	<p><i>Experimental Implementation</i></p> <p>Contextual Conditions</p> <p>Example: Headstart</p>	<p><i>Symbolic Implementation</i></p> <p>Coalition Strength</p> <p>Example: Community action agencies</p>

Figure 3.1: Ambiguity-conflict matrix: policy implementation process.

Source: Matland (1995:154)

Hill and Hupe (2002:184) define policy ambiguity, as illustrated in Figure 3.1 above, as the degree of clarity of a formulated policy, and policy conflict as an indication of the degree of struggle that can be observed during the policy formulation stage, which could be expected to continue during implementation.

Matland (1995:160) describes administrative implementation as implementation where ambiguity and conflict are low. The implementers know the technology that is to be used to achieve the policy goals. Resources mainly determine the success of the implementation. A central authority that has sanction capabilities to legislate the desired policy outcomes guides the implementation process. Information on implementation flows from the top to the lower levels, with the policy being spelled out explicitly at each level. Implementation failure occurs when there are technology problems, poor coordination, insufficient resources, a lack of an effective monitoring strategy and when behaviour, which deviates from that which is required to achieve the policy goals, is not sanctioned.

Normative compliance mechanisms, which refer to compliance mechanisms that are based on perceived legitimacy of authority or influence, are normally sufficient for administrative implementation. Remunerative measures, which are mechanisms that use incentives such as additional resources to gain compliance, may be used for bringing in outside resources; however, normative measures should suffice (Matland, 1995:160).

Political implementation takes place in an environment where ambiguity is low but with high conflict. Resources essential to implementing the policy may be controlled by individuals outside the implementing organisation or by those opposed to the proposed policy. Securing compliance of the stakeholders whose resources are critical for implementation success becomes vital. The success of implementation, therefore, is dependent on having sufficient power or resources to bargain with stakeholders who may disagree with the goals of the policy. Coercive and remunerative mechanisms will thus dominate. Experimental policy implementation has a high level of ambiguity and a low level of conflict. The outcomes of implementation depend on resources and individuals in the micro implementation environment. Since outcomes differ from one environment to another, there will be differences in implementation results, and as such, the results of implementation are hard to predict (Matland, 1995:167).

Similarly, Ajam and Fourie (2016:264) are of the opinion that even within the same country, implementation outcomes could differ considerably, across public sector entities

implementing the same policy. If the implementation outcomes in the various environments are compared, these can be used as learnings to inform future implementation (Matland, 1995:167). McLaughlin (1987:176) states that variability in the implementation of policies is not only inevitable but also desirable, and it offers important learning opportunities.

Symbolic implementation involves policies with a high level of ambiguity and conflict. These policies play an important role in confirming new goals, reaffirming a commitment to old goals as well as in emphasising important values and principles. The high level of conflict assists in structuring the way in which resolutions are developed, and the high level of ambiguity results in different outcomes at different sites. The direction of implementation is determined by the coalition of local implementers who control resources. Implementation outcomes will differ across different implementation sites, based on coalition strength at the local levels (Matland, 1995:167).

From the above description, the researcher believes that the implementation of the PFMA could be categorised as administrative implementation. Furthermore, the researcher is of the view that it is incumbent upon policy designers or conceptualisers to understand the levels of ambiguity and conflict present in the policies with which they come up. This will enable them to design solutions to counter any possible challenges that may arise during implementation.

3.2.4. Implementation and policy type

Brynard (2005:16) identifies policy type as one of the variables that is crucial in shaping the direction of policy implementation. According to Brynard (2005:16), a policy can be either distributive, regulatory or redistributive.

- a distributive policy creates public goods for the general welfare of the population, which are non-zero-sum in nature;
- regulatory policies specify rules of conduct with consequences for failure to comply; and
- redistributive policies endeavour to change allocations of wealth or the power held by some groups at the expense of others.

For successful implementation, it is important to understand the type of the policy that is being implemented. It is thus believed that the PFMA is a regulatory policy, as described above.

Parsons (1995:480) asserts that the study of implementation needs to take into account the content and type of policy that is being implemented, and that the effectiveness of implementation will differ across policy types and issues, which the policy seeks to address. To this end, the key factors in implementation that were identified are: change, control and compliance. The goal of policy implementation is either to change or to control the behaviour of those targeted. It is also critical that the targets of a policy comply with its stipulations. The presence of a high degree of consensus and a minimal amount of change required would therefore increase the chances of successful implementation. To this end, the *contingency concept*, which takes into account the institutional properties of implementation structures, policy types or country-specific cultural variables is an important consideration as well (Fischer *et al.*, 2007:103)

3.2.5. Implementation as a political game

Policy implementation is viewed as a process that involves conflict and bargaining. The conflict is, however, regarded as dysfunctional and as such needs to be coordinated. The assumption is that conflict and bargaining take place in an environment of shared goals, which means for implementation to be effective, differences should be resolved. An effective implementation process will have methods and systems for controlling the conflict in order to bring about compliance. If implementing institutions are viewed, based less on the notion of control, but on structures that are composed of individuals all wanting to maximise their power and influence, the conflict may be seen as a political process, involving different strategies for acquiring and maintaining power. Implementation from this perspective is referred to as the 'game model, which is seen as a game of bargaining, persuasion and manoeuvring, under conditions of uncertainty. Implementation actors simultaneously play to win as much control as possible, in the process using the system to achieve their own goals and objectives. The model suggests that politics extends beyond the formal political institutions and processes of promulgating an act. It thus views implementation as another form of politics, which takes place in the field of unelected power (Parsons, 1995:470).

The researcher believes that acknowledging that the process of policy implementation also has an element of politics will enable legislators to come up with conflict resolution strategies for addressing the conflict that may emerge at the implementation level. This may assist in ensuring that the implementation sphere does not degenerate into a dysfunctional environment, which in turn may impede the implementation process.

The next section describes measures that can be considered in ascertaining the success – or lack thereof – of policy implementation. The current study considered SASSA's implementation of the internal audit sections of an important policy in South Africa, and this section will provide the necessary grounding in the form of literature that was used to evaluate the implementation of SASSA's internal audit function. This is reported in Chapter six of the thesis.

3.2.6. Policy evaluation

Cloete and Wissink (2000:211) refer to policy evaluation as a process that broadly includes measuring the performance of a policy with a view to improving effectivity. Policy evaluation should focus on the influence a policy has on the conditions it seeks to change. The authors further define various types of policy evaluation. The one relevant for this study was summative evaluation. Summative evaluation occurs once a policy has been implemented, and evaluates the changes that the policy brought to real-life conditions to which it was applied (Cloete & Wissink, 2000:216). The PFMA was promulgated in 1999 (RSA, 1999a), and it is believed that the current study, which aimed to evaluate the implementation of the internal audit provisions of the Act, was being conducted at an opportune time.

3.2.6.1. Measures for successful policy implementation

The measures for successful policy implementation are explained first through a framework of the implementation process, presented in Figure 3.2 below, which explains the three factors that affect the achievement of policy objectives:

- the manageability of the problems that the policy seeks to address;
- the ability of policy designers to structure the implementation process favourably; and
- the non-statutory variables that have an effect on the implementation process (Mazmanian & Sabatier, 1981:6).

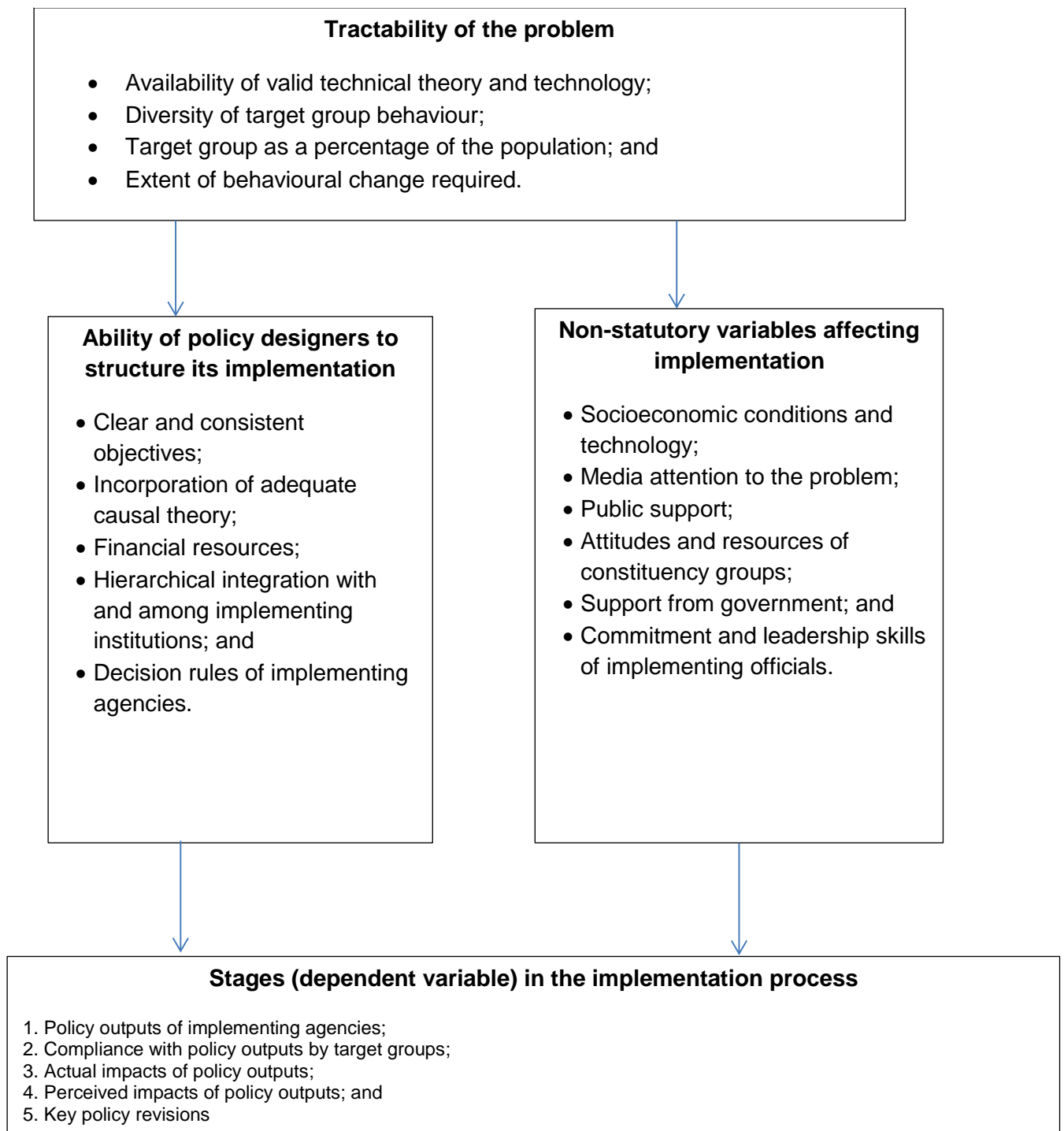


Figure 3.2: Conceptual Framework of the Implementation Process

Adapted from: Mazmanian and Sabatier (1981:7)

The above framework is explained briefly below:

3.2.6.1.1. Tractability of the problem

The next section discusses the tractability of a problem as one of the independent variables of the stages of implementation analysis (Mazmanian & Sabatier, 1981:6–9).

3.2.6.1.2. Availability of technology

The successful implementation of most policies is dependent on the availability of technology necessary to ensure that there is a change in target group behaviour. For example, public financial management reforms go hand in hand with IT systems, which public institutions need to use, to store financial information. The absence of such technology may mean that the policy objectives are not achieved, or the process is slowed down.

3.2.6.1.3. Diversity of target group behaviour

It is assumed that if the behaviour that a policy seeks to change is diverse, it will be difficult for clear regulations to be framed, resulting in the possibility of achieving fewer policy objectives.

3.2.6.1.4. Target group as a percentage of the population

The assumption is that, when the target group whose behaviour a policy seeks to change is small, the likelihood of the policy objectives being met is high.

3.2.6.1.5. Extent of behavioural change required

The behavioural change required to achieve policy objectives, is a function of the number of people in the target group and the level of change required. The greater the amount of behavioural change required, the more chances of successful implementation are reduced (Mazmanian & Sabatier, 1981:6–9).

3.2.6.2. Ability of policy designers to structure its implementation

It has been emphasised that a policy can achieve its objectives under the conditions discussed below (Sabatier & Mazmanian, 1979:485; Mazmanian & Sabatier, 1981:10–15):

3.2.6.2.1. Clear and consistent objectives

A policy should have clear directives, and should structure the implementation process so that the likelihood that target groups will perform as desired is maximised. Clear objectives can serve as a resource for stakeholders outside of implementing institutions, to be able also to make observations regarding any gaps between outputs and policy objectives. It is also important that when a policy is assigned to an existing public institution for implementation, its relative priority in relation to the programmes of the institution be emphasised. This is necessary as certain matters may be prioritised over others, and consequently may receive more funding for implementation (cf. Cloete & Wissink, 2000:98). Failure to do this may lead to the policy not being given the priority it deserves, and slow down incorporation into the operating procedures of the institution. The financial resources given to the implementing institution should be sufficient to enable the institution to acquire the necessary resources, such as staff, to facilitate successful implementation. For that reason is important to ascertain what 'sufficient' means on a case-by-case basis.

3.2.6.2.2. Incorporation of adequate causal theory

A policy must be based on an adequate causal theory that relates changes in target group behaviour to the achievement of the objectives of the policy. An underlying causal theory for most policies relates to two aspects:

- linking the achievement of the desired end state to the required changes in target group behaviour once a policy has been implemented; and
- specifying the means through which compliance of the target group(s) can be obtained.

The following example illustrates a practical example of adequate causal theory. It has been proved medically that antiretroviral (ARV) medication leads to reduced levels of human immunodeficiency virus (HIV) transmission. Based on this thesis, it can be assumed that a health policy aimed at distributing ARV medicine would be successful in its objective because of an underlying causal theory, which has been proved. In the context of this study, it was shown that organisational effectiveness and efficiency could be improved by implementing and maintaining a professionally orientated internal auditing function. In addition, it was suggested that the presence of an audit committee might create a control environment that is effective in uncovering and disclosing internal control challenges (cf. sections 2.2.1 & 2.2.2).

3.2.6.2.3. Financial resources

Financial resources are critical in the policy implementation process, as these are used throughout the implementation process, amongst other things, to appoint the necessary human resources to implement the policy. To this end, Sabatier and Mazmanian (1979:545) suggest that a threshold level of funding is critical in order to increase the possibility of achieving statutory objectives.

3.2.6.2.4. Hierarchical integration with and among implementing institutions

The extent to which a policy hierarchically integrates implementing institutions is an important attribute of any policy, as a loosely integrated system will result in variations in the degree of behavioural compliance of implementing officials, and subsequently less than optimal achievement of policy objectives. The degree of hierarchical integration amongst implementing institutions is determined by the number of veto or clearance points involved in the attainment of statutory objectives and the extent to which supporters of these objectives are provided with inducements and sanctions that ensure agreement amongst those with a potential veto. Veto or clearance points refer to occasions where a stakeholder has the capacity to obstruct the achievement of policy objectives. It is argued that no matter how well policy designers structure the implementation, this is not a sufficient condition for ensuring target group compliance with the policy. Ensuring compliance to policy objectives may take between three and twenty years. Similarly, Sabatier (1986:38) highlights that evaluation studies on policy implementation have extended the period in which such evaluation studies are done from a four-year period to a ten- to fifteen-year period. The period of evaluation was extended as an acknowledgement that the policy implementation process may take long, depending on the kind of policy that is being implemented.

3.2.6.2.5. Decision rules of implementing institutions

Sabatier and Mazmanian (1979:546–547) mention that, in order to increase the chances of attaining the objectives of a policy, policy designers could assign the authority to make final decisions pertaining to the policy to officials within the implementing institution who are likely to be supportive of the objectives of the policy.

3.2.6.3. Non-statutory variables affecting implementation

Mazmanian and Sabatier (1981:15–20) identify the following as non-statutory variables that affect implementation.

3.2.6.3.1. Socio-economic conditions and technology

Social, economic and technological conditions are some of the key external variables that have the potential to affect policy outputs, and consequently the attainment of policy objectives. Changes in socioeconomic conditions could affect perceptions of the relative importance of the problem, which a policy seeks to address. Furthermore, policies that are directly linked to technology are dependent on the availability of such technology.

3.2.6.3.2. Media attention to the problem

The mass media is an important stakeholder in policy implementation because it is able to communicate to large audiences simultaneously

3.2.6.3.3. Support from the general public

Public support could influence the implementation process through public opinion, which may influence legislatures.

3.2.6.3.4. Attitudes and resources of constituency groups

It is inevitable that public support for a policy will decline over time. It has also been found that opponents of a policy are more likely to intervene more actively over longer periods than proponents.

3.2.6.3.5. Support from legislatures

Support from legislatures can be achieved through the amount and direction of oversight by the legislature. It is important to have the support of legislatures as they have the authority to alter or undermine the legal and financial resources of implementing institutions.

3.2.6.3.6. Commitment and leadership skills of implementing officials

The commitment and leadership skills of implementing officials have a direct effect on policy outputs. This aspect involves the ability of officials to go beyond what could reasonably be expected of them, using available resources. This leadership skill comprises both political and managerial elements. The former relates to the ability to develop good working relationships with all stakeholders. The latter relates to developing the necessary controls that will ensure that a policy is not a subject of financial mismanagement, and maintaining a high morale among employees. In some instances, what may be perceived as commitment of officials to the implementation of a policy, may

in fact be a function of that the implementation of that policy has been placed in an institution that is supportive of such a policy (Mazmanian and Sabatier, 1981:15–20).

However, the researcher is of the view that in most instances, members of the legislature do not have the option to choose which institution should implement a policy. An example of this is the PFMA, which applies to all national and provincial government departments, as well as public entities, such as SASSA. In this regard, the degree of commitment by officials may decline over time, as the committed officials leave the institution or fall back into bureaucratic routine. In addition, the researcher believes that although implementing institutions may not have control over the first five non-statutory variables affecting the implementation of a policy, as noted above, they however, have control over the sixth element, namely commitment and skills of implementing officials. Commitment and skills of implementing officials are a necessary condition for successful policy implementation, as implementing institutions – and specifically the accounting authority in the case of SASSA – should ensure that such skills and commitment are in place.

3.2.7. Dependent variables in the implementation process

The following section focuses on the dependent variables in the implementation process.

3.2.7.1. Policy outputs and decisions of implementing institutions

Policies are normally translated into substantive regulations that show how the rules apply in actual situations. Individuals employed by implementing institutions are expected to follow the legal stipulations of a policy, however, some discretion may also be allowed. This would involve officials' personal and professional interpretation of what ought to be done. It is also possible that implementation involves several institutions, which may have differing levels of commitment to the attainment of the objectives of the policy. In this case, problems may be experienced in coordination and communication. The translation of policy objectives into policy decisions of individual implementing institutions is thus a complex and problematic process (Mazmanian & Sabatier, 1981:20). Although discretion may be allowed in interpreting regulations that are read with policies, there should be parameters in place within which an individual is allowed to use his or her discretion without going outside what he or she supposed to be doing. This discretion is termed *ultra vires*.

3.2.7.2. Target groups' compliance with decisions

It has been found that behavioural compliance is a function of an individual's assessment of the relative costs and benefits to him or her of following legal directives. The decision to comply is thus a function of the probability that non-compliance will be detected and successfully prosecuted (cf. section 2.3.2.6). The decision to comply is also a function of the sanctions available to penalise non-compliance, the target group's attitude about their perception of the legitimacy of the rules and the costs of compliance to them. In this context, 'target group' refers to officials who are tasked with implementing a policy, because a policy seeks to change certain behaviour, and in this instance, the target for the behaviour change is public officials. The probability that non-compliance will result in harsh punishment will be affected by the degree of punishment provided for within the policy, the resources available to implementing institutions to monitor non-compliance, and the commitment of officials in the institution to prosecute non-compliance (Mazmanian & Sabatier, 1981:20–22).

Similarly, Hill and Hupe (2002:166) cite that if the checks and balances on the implementation activities of public officials were stronger, they would be more inclined to implement the policies to the letter, in order to protect themselves from possible prosecution and/or public accountability. Hill and Hupe (2002:194) further indicate that policy implementers are driven by meeting the targets to which they are committed, and as such, it is not formal power but material power in terms of sanctions and incentives that influence implementers when carrying out their duties. This point emphasises that individuals employed by implementing institutions need to know that a lack of compliance with stipulations of policies will be met with negative consequences.

3.2.7.3. Actual outcomes of decisions taken by institutions

A policy is likely to achieve its desired objectives if the policy outputs of the implementing institution are consistent with the policy objectives. Furthermore, a policy is likely to achieve its objectives if the target groups comply with the policy outputs through a causal theory (cf. section 3.2.6.2.2) within the policy that links behavioural change in target groups to the achievement of policy goals, and the absence of other policies that are in conflict with the policy in question.

3.2.7.4. The perceived outcomes of decisions

The perceived outcome of a policy is a function of actual effect based on the values of the individual perceiver. Individuals who initially have a high regard for a policy, are likely to perceive its outcome in a positive light, and vice versa.

3.2.7.5. Evaluation of a policy in terms of revisions

The revision of a policy may be a process that is repeated several times. However, the revisions may have unintended consequences that may lead to changes in policy priorities among the general public, as a result of changing socioeconomic conditions (Mazmanian & Sabatier, 1981:23–24).

Matland (1995:154) refers to successful policy implementation as –

- the ability of the implementing institution to comply with directives of an act;
- the institution being held accountable for reaching specific indicators of success;
- the institution achieving the goals of the Act; and
- the existence of an improvement in the political culture surrounding the Act.

In instances wherein a policy does not have specific goals and does not provide a benchmark to measure policy results, broader evaluation standards need to be used. Furthermore, the probability of successful policy implementation is less than 50% if an order is followed with 90% accuracy, having gone through six hierarchical levels. Should the orders be understood with less than 90% accuracy, the probability of success is even less (Matland, 1995:162).

McLaughlin (1987:172) further remarks that capacity constraints, such as resource and skills issues, could be addressed much easier when compared to addressing the willingness of implementers, which has to do with attitudes, motivation and beliefs that underlie implementing individuals' responses to policy objectives. The motivation and willingness of implementing individuals are based on their assessment of the value of the policy. Successful policy implementation thus requires a combination of pressure and support. Pressure may be necessary, as individuals do not like change. Pressure alone, however, cannot achieve changes in attitudes, beliefs and practices. Support is needed to enable implementation, however, support alone also presents challenges because of competing priorities and demands within an implementing system. A balance of both pressure and support thus needs to be found (McLaughlin, 1987:173).

The outcomes of implementing a policy are highly dependent on the individuals responsible for implementation. The focus of implementation should thus shift from implementing institutions to individual implementers and individual incentives, beliefs and capacity. In this context, 'capacity' refers to the structural, functional and cultural ability to implement policy objectives of government, that is, the ability to deliver public services intended to raise the quality of life of citizens in an effective way. This also relates to the availability of and access to concrete assets such as human, financial, material, technological and logistical resources. Capacity also includes the intangible requirements of leadership, motivation, commitment, willingness and endurance (Brynard, 2005:16). Individual implementers act from professional and personal motivation. It is also important to consider the environment within which a policy is being implemented in assessing its implementation. In the initial stages of policy implementation, the important policy variables are clear policy goals, legal requirements, a well-articulated act and effective authority. Once these variables are understood, the implementation process can proceed to assess the quality of implementation, whereby the importance of external factors decreases, and internal factors such as commitment, motivation and competence begin to dominate (McLaughlin, 1987:175).

Furthermore, McLaughlin (1987:176) highlights that in assessing the outcomes of policy implementation, it is important to take the implementing institution's context such as capacity and resources available, into account, failure of which would ignore the fundamental character of the implementation process. Similarly, Ajam and Fourie (2016:264) argue that policy implementation outcomes are highly dependent on context-specific features, which include changing political commitment to reforms, capacity and resource constraints as well as the interaction between political and bureaucratic elites. Hill and Hupe (2002:169) state that the probability of successful policy implementation would be increased if, at the stage of policy design, thought had been given to the potential problems that may be experienced during implementation. Public officials who design or conceptualise policies must pre-empt what may go wrong during the implementation stage, and already at this stage, they should provide solutions to counter possible challenges. Furthermore, communication has been found to be an important variable of the implementation process. All parties involved in the implementation process need to be aware of what is happening at each point in time, in order for them to deliver on their respective deliverables (Brynard, 2005:16).

The next section describes NPM, a public sector reform approach that has implications for internal audit functions, as shown below.

3.3. NEW PUBLIC MANAGEMENT

Pfiffner (2004:443) mentions that, towards the end of the 20th century, the classical model of old traditional public administration, which put emphasis on bureaucratic functions, rules and regulations, began to be challenged by a new approach called new public management (NPM). Similarly, Pollitt and Bouckaert (2011:9) reveal that from 1980, the United Kingdom and the United States of America started to favour business-like approaches in the management of their public sectors. The public sectors of those countries thus began to reform, and the reform was termed new public management (NPM). New Public Management became an active area of policymaking in the public sector of various other countries, such as New Zealand, Australia and Sweden during the 1980s (cf. Auriacombe, 1999:132–134). However, Ajam and Fourie (2016:264) attribute the failure of reforms such as NPM, in developing countries to the so-called ‘isomorphic mimicry’, which is the replication by developing countries of sophisticated administrative and conceptual models that were developed in advanced countries. Reforms such as NPM have been found to be dysfunctional within the context of developing countries, which are in most instances characterised by weak institutional and government structures and underdeveloped civil societies. Ajam and Fourie further caution against implementing reform templates based on ‘international best practice’ in unstable political and administrative environments, which do not have the capacity and resources to sustain the changes fully.

Pollitt and Bouckaert (2011:10) thus posit that NPM is a two-level phenomenon. Firstly, at a higher level, it is a theory that postulates that the public sector can be improved by importing business concepts and values to the public sector. Secondly, at a lower level, NPM includes an emphasis on performance through the measurement of output and preference for decentralisation of functions over centralisation (cf. Auriacombe, 1999:129–130; Denhardt & Catlaw, 2015:155–161). New Public Management therefore refers to a number of public sector reforms that are aimed at doing away with government bureaucracies as well as the way in which services are delivered to the public. One of the approaches that is in line with NPM is privatisation, which is a market-based approach that criticises government interventions in the economy, as well as the inefficiency of public enterprises (Pfiffner, 2004:443).

Frederickson and Ghere (2005:165) argue that one of the objectives of NPM is to deal with issues of public sector ethics and corruption, through integrating principles of transparency, accountability, effectiveness and efficiency in the management of financial resources. It could thus be argued that the implementation of the PFMA is in line with NPM as the PFMA promotes the above principles of NPM.

Another reform that has taken place under NPM is decentralisation of the delivery of public services. In the process, this empowered local government institutions as well as communities to create and deliver the services. Rhodes and MacKechnie (2003:7) cite that decentralisation has a critical role to play in improving the responsiveness of government. Justifications for decentralisation include the need to create manageable units that must result in an efficiency advantage of separating strategic policy development from operating units. New Public Management also advocates for a move towards private sector styles of management (Denhardt, 2003:12–13). Some of these styles are discussed below. Furthermore, NPM takes into cognisance explicit standards and measures of performance, and it emphasises outputs rather than processes as well as hands-on professional management and the need to do more with less (Pfiffner, 2004:453).

In short, NPM operates within the ambit and bounds of public administration. Several phrases, which fit into the NPM thinking are public–private partnerships (PPPs), alternative service delivery, contracting out, empowerment, total quality management, and participatory management (Osborne & Gaebler, 1992:323). Therefore, the aforementioned phrases cannot be implemented in the public sector without considering the administrative capacity of the existing structures. Most significantly, the driving force of NPM emphasises flexibility, proactiveness and adaptation. Architects of NPM argue that this is the jettison of old traditional public administration, which emphasised bureaucratic functions, rules and regulations (cf. Auriacombe, 1999:129; Denhardt & Catlaw, 2015:155–156). It is against this background that business concepts, such as privatisation, project management and performance management, have now been introduced in the public sector.

Pfiffner (2004:453) posits that NPM is in favour of loosening the structures of the traditional model of public administration to allow for more creativity and flexibility, in order to achieve new efficiencies and better customer service. Under NPM, lower-level

managers are given more flexibility to use their own information and judgement to make decisions. Furthermore, managers are encouraged to take risks and be entrepreneurial. Managers' accountability is measured through outputs as opposed to monitoring inputs. In contrast, Pauw (2015:618–619) asserts that current public administration thinking, which encourages public officials to be flexible, innovative and enterprising, conflicts with old public administration thinking, which advocated for the adherence to the letter of the law, in order to further a better society. Pauw further highlights that within the context of NPM, policy implementers need to be skilled in order for them to be able to stay true to the letter of the law, by interpreting correctly, what a law says.

Anechiarico and Jacobs (1995:173) posit that the main political vulnerability that has been associated with practices that are linked to NPM, such as contracting out is corruption. Amongst other forms of corruption, bribery of public officials by contractors has been found to be a common phenomenon. Anechiarico and Jacobs further found that when initiatives to prevent corruption in the process of contracting out in the public sector are not carefully considered, the delivery of public services becomes difficult and costly.

In a similar line of thought, Kolthoff *et al.* (2007:8) investigated the relationship between NPM and public integrity. The authors' definition of public integrity focuses on manifestations of behaviour and not on intentions or underlying values. In this context, 'public integrity' is defined as acting in agreement with the relevant moral values, standards, norms and rules. The authors further state that most of the warnings against the introduction of business-like approaches in the public sector deal with the increased risk of corruption. However, the authors further mention that corruption in the public sector is not new. Additionally, the authors argue that even though traditional public sector values have changed towards business-like values, there is no hard evidence that shows that this automatically leads to more integrity violations. However, it could be argued that the institution of business-like approaches in the public sector requires the introduction of guidelines for public officials and political office-bearers in order to enable them to make ethical decisions. Close cooperation with stakeholders and the establishment of mechanisms for evolving trust as a function of accountability are also required (Kolthoff *et al.*, 2007:18).

When researching the relationship between public integrity and NPM, a lack of the aforementioned guidelines and an understanding and use of the guidelines, combined

with opportunities created by the introduction of NPM, such as contracting out, have been found to be the main risks against which the public sector should guard, as opposed to NPM itself (Kolthoff *et al.*, 2007:20). The effect of introducing business-like approaches in the public sector thus depends on ensuring that this takes place in an effective and ethical manner. In such cases, an internal audit function can play the role of assisting management with identifying substantial control failures and formulating recommendations for improvement (Sarens & De Beelde, 2006:464).

3.3.1. Management techniques in line with new public management

As the management of the public sector evolved to become more business-like, techniques, such as performance management, which had previously been employed in the private sector, were adopted in the public sector. This approach to management is discussed below:

3.3.1.1. Performance management

Performance management in the public sector is about the management of people's performance. The approach is interested in how people respond to the goals and objectives that they are required to implement. Two techniques have been used to improve the human side of implementation: performance appraisals and management by objectives (MBO). Performance appraisals are used to evaluate individuals' performance, which is set against the objectives of an institution, in the context of the individual's potential. Management by objectives, on the other hand, is used to set objectives between a manager and a subordinate, in an effort to integrate the goals of the institution and those of the individual. These techniques are used to create an environment in which managers and subordinates can be encouraged to change or adapt their behaviour to achieve institutional goals as opposed to departmental, individual or professional goals (Parsons, 1995:478).

Prowle (2010:269) says there are a number of areas where performance improvements can be achieved by increasing staff productivity, and these include improved remuneration. When public officials are not paid well, chances of those officials behaving ethically are low. Additionally, other areas where performance improvements can be achieved by increasing staff productivity include better supervision, improved recruitment as well as retention (Fijnaut, 2002:4). The researcher believes that performance management, a management technique that originated in the private sector, if

implemented effectively within the public sector, can contribute positively to ensuring that the public sector achieves efficiency gains in its delivery of services. The efficiencies that the technique advocate for are in line with the PFMA, which promotes efficiency, effectiveness and accountability in the delivery of public services (RSA, 1999a:1).

3.3.2. Critique of new public management

Pollitt and Bouckaert (2011:15) posit that it is a challenging task to evaluate whether NPM has been successful because, amongst other reasons, it is difficult to evaluate large-scale public management reforms such as NPM. Rhodes and MacKechnie (2003:77) cite that, whilst members of the public may have gained from privatisation, the opposite could be said for government. Pollitt and Bouckaert further cite that Managerialism is a self-serving movement that is promoted by certain individuals and institutions, such as senior civil servants, management consultants and business schools, as they stand to gain some status from the introduction of these techniques in the public sector. In developing countries, decentralisation presents problems in that public managers are not experienced enough to deal with responsibilities that have been decentralised to them.

Similarly, Von Maravic (2007:467) remarks that, whilst NPM advocates for decentralisation and for managers to be given discretion when making decisions, auditors have criticised a lack of awareness amongst councillors regarding control and audit deficits that have arisen because of decentralisation. This has led to inefficiency and ineffectiveness in the delivery of public services. Another point is that the goals, stakeholders, accountability and resource allocation in the public sector are different to those of the private sector, therefore, techniques that apply in the private sector are not always transferable to the public sector (Rhodes & MacKechnie, 2003:77; Pollitt & Bouckaert, 2011:10). However, it was argued in section 2.4.1 of this thesis that governance mechanisms, such as an internal audit function, do not necessarily originate from the private sector. The benefits of the function for the public sector were highlighted, demonstrating that it is a function that fulfils a necessary governance function. Furthermore, Pfiffner (2004:453) says NPM approaches can be useful to governments and should be seriously considered. However, NPM is not an all-encompassing solution that will resolve all the problems of public administration in modern governments (Pfiffner, 2004:453).

Governance is another reform approach in the public sector. Internal control mechanisms, such as internal audit functions, are aimed at improving governance in institutions, as shown below.

3.4. GOVERNANCE

Frederickson (2004:3) postulates that governance as an alternative to public administration first came to the fore in the mid-1970s, when it was cited that what people wanted was less government and more governance. It was argued that governance would bring with it a new style of public–private horizontal systems, that would be led by a new breed of men and women, referred to as ‘public executives’, and they would manage public responsibilities in both public or private institutions. Frederickson (2004:6) thus remarks that the term ‘governance’ is widespread in both the public and private sectors, with the concept referred to as ‘corporate governance’ in the private sector (Wixley & Everingham, 2002:1).

Vafaei and Christopher (2014:3) refer to governance as a system for directing and controlling a public institution (cf. Frederickson, 2004:6–7). In this context, system refers to several governance control processes that are developed and implemented by management to make sure that institutions are managed efficiently, effectively and economically. The system, therefore affects the ability of an institution to achieve its goals, monitor and assess risk as well as optimise its performance. In the same way that principles of NPM have been adopted from the private sector, governance originated in the private sector, and has subsequently been adopted in the public sector and not-for-profit organisations (Nevondwe *et al.*, 2014:261). Governance techniques were initially adopted in the public sector through budget reform processes. The approach emphasises the analysis of management problems in a strategic manner through a cycle of defining goals and objectives, identifying strengths and weaknesses, developing strategies, formulating action plans as well as implementing and monitoring action plans.

Several authors assert that, even though the concept of governance was first developed in the private sector, it is incumbent upon public sector institutions to embrace it in order to improve their efficiency, effectiveness, accountability and reputation (Nevondwe *et al.*, 2014:261; Vafaei & Christopher, 2014:3). These authors further emphasise that, if principles of governance are correctly applied in the public sector, effectiveness and accountability can be improved considerably. Governance in the public sector, therefore,

aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as increase management accountability (Van Wyk, 2003:16; Nevondwe *et al*, 2014:263; Vafaei & Christopher, 2014:3). The importance of internal controls, and specifically internal audit functions, has been emphasised by several authors, as these have a significant positive influence on good governance (Badara & Saidin, 2014a:77; Vafaei & Christopher, 2014:3).

D'Silva and Ridley (2007:114) aver that the implementation of principles of governance is being promoted in the public sector. Furthermore, Van Wyk (2003:16) says governance takes into account the controls, decision-making and structures for accountability, which can go a long way in ensuring that the objectives of sound financial management are achieved. Nevondwe *et al*. (2014:263) point out that the implementation of sound governance and financial management in the public sector is hampered by various managerial shortcomings. These shortcomings include a lack of understanding of provisions of the PFMA and King codes. The first King code was issued in 1994, and legislation such as the PFMA was informed by its provisions (cf. section 4.11) (Institute of Directors in Southern Africa [IoDSA], 2009:7).

The governance approach gives high priority to ensure that the structure, culture and style of an institution are geared to attain its mission, as well as clarify the mission of the institution to everyone. A key consideration is the relationship between strategy and the structure of an institution and its personnel. Successful implementation requires adaptation of the structure of an institution. Monitoring of implementation provides feedback to management on the progress of achieving objectives and highlights the problems that may need to be addressed in order to achieve success (Nevondwe *et al*., 2014:263).

Nevondwe *et al*. (2014:272) posit that the achievement of good governance is reliant upon effective leadership in an institution, and public sector governance will improve when principles of accountability are promoted and practiced. Good governance requires that appropriate internal reporting and monitoring practices be embedded in public institutions, consequently, reporting systems that support good governance should also be implemented (Seal, 2006:390). Several authors assert that a critical part of the governance of an institution is its internal audit function (D'Silva & Ridley, 2007:114; Coram *et al*., 2008:553). It is also important to highlight that governance has been an

influential approach in NPM since the 1980s, when pressure for cutting costs and achieving value for money became evident in the public sector of industrialised countries (Parsons, 1995:475–476).

Public choice theory, as described below, explains the absence of public interest among public representatives in carrying out their work. This explanation is useful in understanding poor implementation of public policies.

3.5. PUBLIC CHOICE THEORY

Rowley and Schneider (2004:261) highlight that public choice theory postulates that the general view of public officials is that they use government as a mechanism to maximise their self-interest, resulting in the community not trusting government. Parsons (1995:307) remarks that public choice theorists study the manner in which bureaucratic power serves itself instead of the public interest, as well as the rationale and motivations of public officials. The study of politics, policymaking and bureaucracy is based on the same assumptions, as those that explain the behaviour of businesses and consumers, namely self-interest. Public choice theory is thus based on the following assumptions (Parsons, 1995:307–308):

- parties over-promise to win votes;
- politicians who are in power have to enter into deals with the electorate to secure support, and because of this practice, the budget is affected negatively. This assumes that politicians who are in power would make use of public funds in their election campaigns, in turn negatively affect the budget that is meant for public services;
- public servants are only interested in maximising their own self-interest as opposed to the public; and
- the political processes of liberal democracies are not able to control the growth of political and bureaucratic power.

To address the concerns of bureaucratic self-interest and the pressure of the vote motive, public choice theorists suggest the introduction of competition in government through contracting out, privatisation as well as increasing competition between government departments by rewarding those that perform well. According to Parsons (1995:309), the various forms of motivation for individual public officials give rise to the following types of public officials:

- climbers: are concerned with their power, income and reputation;
- conservers: are concerned with minimising change;
- zealots: highly motivated public officials, who are committed to the implementation of policies;
- advocates: see their interest in terms of maximising the role and resources of their departments; and
- statesmen: public officials who have a sense of public interest, which may be advanced by increasing their power in order to realise their goals.

Parsons (1995:309) remarks that, in the same manner that private businesses seek to maximise their profits, public officials also seek to maximise their budgets and the sizes of their institutions. The researcher thus believed that zealots and statesmen are the types of public officials who are desirable, as the former are committed to implementing public policies and the latter advance public interests as opposed to self-interest. However, Parsons (1995:312) also postulates that it has been found difficult to test or falsify the bureau thesis, which explains the commonly held belief that public officials are only interested in advancing their own interests. Empirical research to confirm that public officials seek to maximise their budgets and the sizes of their institutions, in order to increase their power, has not yielded sufficient evidence so far.

The researcher is of the view that public officials will exhibit different traits, and not all of them will seek to advance their own interests, as noted above. It would therefore be up to the leadership of public institutions to recruit those officials who show commitment to advancing the public's interests. Furthermore, these officials need to be retained in the public service, as they are the right calibre of officials who will ensure that the objectives of the government are achieved.

3.6. CONCLUSION

In this chapter, the author reviewed literature on public policy implementation. This provided the necessary grounding for the study, as it highlighted the different schools of thought on policy implementation. The policy implementation literature inter alia reflected on variables that explain non-compliance with policy stipulations, which may lead to misconduct, including financial misconduct. It was deemed necessary to provide the theoretical framework on policy implementation, as this study was an empirical one, and aimed to solve a real-life problem, namely the implementation of a section of an important

policy in South Africa, the PFMA. The descriptions here focused on the approaches to policy implementation, that is, the top-down and bottom-up approaches as well as the attempt at synthesising the two approaches.

Although the top-down theorists are critical of the bottom-up approach and vice versa, it became clear that the intention of the top-down approach or scholars within this approach is to reach a general theory of implementation. The general theory would allow the scholar to predict whether a policy is likely to be implemented successfully, enabling the scholar to draw recommendations for policymakers with a view to improving implementation. Bottom-up studies, on the other hand, aim to explain the interactions and problem-solving strategies of stakeholders in policy delivery. These two varying goals signify what each of the approaches can be used for. Furthermore, it was shown that the synthesis of the two approaches may in fact be a misnomer, as the approaches are each suitable under different circumstances. However, the researcher also noted that for policies that are inherently top-down or those that are implemented within a top-down context, some of the variables put forward by the bottom-up approach, such as the importance of the skills, attitudes, experiences and knowledge of implementing officials during the implementation process, should be considered.

The section concluded by looking at policy evaluation. In this section, measures for successful policy implementation were considered through a conceptual framework for the implementation process. The first measure considered revolves around the manageability of the problems that a policy seeks to address. This research found that in order for the implementation of a policy to be successful, target groups should be small and the change that the policy seeks to achieve should be limited. However, it may not always be possible that policy implementation will take place under these conditions, and an effort should still be made to ensure successful implementation even in circumstances where the target group is not small and the change that the policy seeks to achieve is not limited. The second measure considered the ability of policy designers to structure the implementation process favourably. Under this point, the conditions that must be met in order for a policy to be implemented successfully were discussed. The third measure refers to the net effect of different political variables in support of the policy objectives. This description highlighted the non-statutory variables that may affect the outcome of policy implementation, such as the commitment and leadership skills of implementing officials.

Lastly, NPM, a reform strategy that aims to transform bureaucratic administrative systems was considered. Under this consideration, performance management, a management technique that emerged in the public sector with the implementation of NPM was also considered. Furthermore, this section highlighted that the implementation of NPM reforms has the potential to increase opportunities for financial misconduct, wherein the internal audit function is believed to be one of the measures that can be used to address financial misconduct. In this regard, an internal audit function makes recommendations to management for the institution of internal controls that would reduce cases of financial misconduct.

CHAPTER FOUR

STATUTORY AND INSTITUTIONAL FRAMEWORK FOR THE INTERNAL AUDIT FUNCTION AND FINANCIAL MISCONDUCT

4.1. INTRODUCTION

In this chapter, the third objective of the study is considered (cf. section 1.4). The chapter will first provide a description of sections of the PFMA that deal with the internal audit function and financial misconduct. Each of the aforementioned descriptions will be followed by a description of Treasury Regulations: PFMA, which provide implementation guidelines to public officials. The description of sections of the PFMA that deal with financial misconduct and applicable Treasury Regulations: PFMA will be followed by a consideration of various legislation and frameworks, under government's anti-corruption strategy, aimed at dealing with unethical conduct by public officials and promoting transparency, accountability and good governance.

Furthermore, the chapter will consider the standpoint of the IIA on the internal auditing profession. Some of the publications of the IIA that will be considered are the code of ethics for internal auditors and the competency framework for internal auditors. The key themes that will emerge from the chapter were included in the survey questionnaire that was administered at SASSA, the results of which will be presented in Chapter six of the study.

4.2. OVERVIEW OF THE PUBLIC FINANCE MANAGEMENT ACT (ACT NO. 1 OF 1999)

The PFMA was promulgated in 1999 and gives effect to section 216(1) of the Constitution of 1996 (RSA, 1996:112). This section states that national legislation must create a National Treasury and prescribe measures to ensure transparency and expenditure control in each sphere of government by introducing Generally Recognised Accounting Practices (GRAP), uniform expenditure classifications, and uniform treasury norms and standards (RSA, 1996:76). The PFMA also gives effect to other sections of Chapter 13 of the Constitution (1996), namely:

- section 213, which limits exclusions and withdrawals from the National Revenue Fund;
- section 215, which outlines that budgets and the budgetary process must promote

transparency, accountability, the effective financial management of the economy and debt in the public sector, as well as for budget formats to be set for all the spheres of government;

- section 217, which states that procurement should be undertaken according to a system that is fair, equitable, transparent, competitive and cost-effective;
- section 218, which presents the conditions for the issuing of guarantees by a government in any sphere; and
- sections 100 and 216(2), which give the National Treasury the right to intervene and take action when there is a material breach of the PFMA by any organ of state. According to section 216(2) action taken by the National Treasury may include withholding of funds due to that organ of state, which would be in breach of the PFMA.

The discussion above highlights the significance of the PFMA as an Act that has been promulgated in accordance with the Constitution of 1996, to ensure essentially that there is uniformity in the management of public finances in national and provincial government institutions. The above section also highlights that the National Treasury has been entrusted with overseeing the implementation of the PFMA, and consequently the management of public finances in South Africa. The National Treasury can as such be referred to as the custodian of the PFMA. The PFMA assumes that the political head of a department (a cabinet minister or a provincial member of an executive committee [MEC]), is responsible for policy matters and outcomes. This includes seeking parliamentary (or provincial legislature) approval and adoption of the budget vote of a department. The official head of a national or provincial department is responsible for outputs and implementation, and is accountable to Parliament or a provincial legislature for the management of the implementation of the budget. The official heads of national and provincial departments are referred to as 'accounting officers' of those departments, whereas the official heads of public entities such as SASSA are referred to as 'accounting authorities' (RSA, 1999a:39).

Sections of the PFMA that describe the role of internal audit functions are considered below.

4.3. PFMA SECTIONS ON INTERNAL AUDITING

Section 51(1) of the PFMA lists the general responsibilities of accounting authorities of public entities such as SASSA, and one of these is that accounting authorities must establish a system of internal audit, which is managed by an audit committee. The system of internal audit should comply with and operate according to regulations and instructions stipulated in sections 76 and 77 of the PFMA. Section 76 of the PFMA lists all the matters on which the National Treasury may make regulations or issue instructions. Section 77 stipulates the composition of audit committees. Sections 76 and 77 of the PFMA are described briefly below.

4.3.1. Section 76: Treasury regulations: PFMA and instructions

Section 76(1) and 76(2) list the circumstances under which the National Treasury must make regulations or issue instructions applicable to public institutions. These are regulations pertaining to financial misconduct (legal definition: fruitless, wasteful, unauthorised and irregular expenditure) (cf. section 4.5), financial management, internal control and audit committees. Additionally, the appointment of audit committees and their functioning as well as the running of internal audit functions are stipulated in sections 76(1) and 76(2) of the PFMA (RSA, 1999a:61–63).

4.3.2. Section 77: Audit committees

Section 77 of the PFMA states the following about audit committees (RSA, 1999a:63):

- a) Audit committees must comprise of at least three persons of whom:
 - i) One must be from outside the public service,
 - ii) The majority may not be persons in the employ of the public institution, except with the approval of the relevant treasury, and
 - iii) The chairperson may not be in the employ of the public institution.
- b) Must meet at least twice a year, and
- c) May be established for two or more departments or institutions, if the relevant treasury considers it more economical.

4.4. TREASURY REGULATIONS: PFMA: INTERNAL AUDIT

Regulation 27.2 (Internal controls and internal audit): implementation of sections 51(1)(a)(ii) and 76(4)(b) and (e) of the PFMA requires the following (National Treasury, 2005:81–82):

- 27.2.1. The accounting authority of a public entity must ensure that a risk assessment is conducted regularly to identify emerging risks in the public entity. A risk management

strategy, which must include a fraud prevention plan, must be used to direct internal audit efforts and priority and to determine the skills required of managers and staff to improve controls and to manage these risks. The strategy must be clearly communicated to all employees to ensure that the risk management strategy is incorporated into the operations of a public entity.

27.2.2. All public entities to which these regulations apply must have an internal audit function.

27.2.3. A public entity and subsidiaries under the ownership control of the entity may have a shared internal audit function.

27.2.4. The purpose, authority and responsibility of the internal audit function must, in consultation with the board (if there is one), be formally defined in an audit charter and be consistent with the definition of internal auditing according to the IIA.

27.2.6. Internal audits must be conducted in accordance with the standards set by the IIA.

27.2.7. The internal audit function must, in consultation with the audit committee, prepare:

- (a) A rolling three-year strategic internal audit plan based on its assessment of key areas of risk for the public entity, having regard to its current operations, the operations proposed in its corporate or strategic plan and its risk management strategy.
- (b) An internal audit plan for the first year of the rolling plan.
- (c) Plans indicating the scope of each audit in the annual internal audit plan.
- (d) Reports to the audit committee detailing its performance against the plan, to allow effective monitoring and intervention when necessary.

27.2.8. The internal audit function must report directly to the accounting authority and shall report at all audit committee meetings. The function must be independent of activities that are audited, with no limitation on its access to information.

27.2.9. The internal audit function must co-ordinate with other internal and external providers of assurance to ensure proper coverage, and to minimise duplication of effort.

27.2.10. The internal audit function must assist the accounting authority in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls subject to evaluation should encompass the information systems environment, the reliability and integrity of financial and operational information, the effectiveness of operations, safeguarding of assets; and compliance with laws, regulations and controls.

27.2.11. The internal audit function must assist the accounting authority in achieving the objectives of the institution by evaluating and developing recommendations for the enhancement or improvement of the processes through which objectives and values are established and communicated. Furthermore, the accomplishment of objectives must be monitored, accountability ensured and organisational values preserved.

Regulation 27.1 (Audit committees): implementation of sections 51(1)(a)(ii) and 76(4)(d) of the PFMA (National Treasury, 2005:80–81):

27.1.1. The accounting authority of a public entity must establish an audit committee as a sub-committee of the accounting authority.

27.1.2 A shared audit committee may be established for a public entity and any subsidiaries under the ownership and control of that entity.

27.1.3. The chairperson of the audit committee must be independent, be knowledgeable, that is, have the requisite business, financial and leadership skills. Additionally the chairperson of an audit committee may not be a person who fulfils an executive function in the public entity.

27.1.4. The majority of the members of an audit committee must consist of non-executive members appointed by the accounting authority, and they must be financially literate. The audit committee members, therefore, need not all be employees of the public institution. The Institute of Internal Auditors (2014:12) cites that various governments have expressed independence requirements of audit committee members. This can be seen in Australia's state of New South Wales, where audit committees are required to have a majority of independent members and that these independent members must not hold any other public sector roles in that state. The Auditor-General of New Zealand and the International Federation of Accountants, recommend that most audit committee members should be external appointments. Furthermore, the Canadian government requires that a majority of audit committee members be from outside government.

27.1.5. The relevant political office-bearer must agree to any premature termination of services of a member of an audit committee.

27.1.6. The audit committee must operate in terms of written terms of reference, which must deal adequately with its membership, authority and responsibilities. The terms of reference must be reviewed at least annually to ensure relevance.

27.1.7. It must be disclosed in the public entity's annual report whether or not the audit committee has adopted formal terms of reference and if so, whether the committee satisfied its responsibilities for the year, in compliance with its terms of reference.

27.1.8. The audit committee must, amongst other things review the following:

- (a) The effectiveness of the internal control systems;
- (b) The effectiveness of internal audit;
- (c) The risk areas of the public entity's operations to be covered in the scope of internal and external audits;
- (d) The adequacy, reliability and accuracy of financial information provided to management and other users of such information;
- (e) Any accounting and auditing concerns identified as a result of internal and external audits;

- (f) The public entity's compliance with legal and regulatory provisions;
- (g) The activities of the internal audit function, including its annual work programme, co-ordination with external auditors, the reports of significant investigations and the responses of management to specific recommendations; and
- (h) Where relevant, the independence and objectivity of the external auditors.

27.1.9. The audit committee must have explicit authority to investigate matters within its powers, as identified in the written terms of reference. The audit committee must be provided with the resources it needs to investigate the matters and must have full access to information. Furthermore, the audit committee must safeguard all information supplied to it within the ambit of the law.

27.1.10. The audit committee must –

- (a) Report and make recommendations to the accounting authority;
- (b) Report on the effectiveness of internal controls in the annual report of the public institution; and
- (c) Comment on its evaluation of the financial statements in the annual report.

27.1.11. Should a report from internal audit (or any other source) to the audit committee implicate the accounting authority or any other officials in fraud or gross negligence, the chairperson of the audit committee must promptly report this to the relevant political office-bearer and the Auditor-General.

27.1.12. The audit committee must communicate any concerns it deems necessary to the political office-bearer, the Auditor-General and if appropriate, to the external auditor.

27.1.13. The audit committee must meet at least annually with the Auditor-General or the external auditor, whichever is applicable, to ensure that there are no unresolved issues of concern.

The description of the functioning of the internal audit function, as stipulated in the PFMA and Treasury Regulations: PFMA above confirms that most of the PFMA provisions on the implementation of the internal audit function are in line with literature suggestions as suggested by various authors (cf. section 2.3). However, the stipulation by the PFMA on the reporting line of the internal audit function, as reflected above is not in line with literature suggestions (cf. section 2.3.4.2 and 2.3.7). The literature suggests that in order to maintain or promote the independence of the internal audit function, the CAE should report to the audit committee whereas the PFMA stipulates that the CAE should report to an accounting authority administratively, and to the audit committee functionally. This aspect will be considered further in chapters six and seven of the thesis.

The next section considers the sections of the PFMA on financial misconduct.

4.5. SECTIONS OF PFMA ON FINANCIAL MISCONDUCT

Chapter ten of the PFMA deals with financial misconduct in the public service. The chapter describes what financial misconduct is, and the procedures for disciplining those public officials found guilty of financial misconduct. It also includes a provision for criminal prosecution that applies when financial misconduct is alleged and proven. Financial misconduct, according to the PFMA, refers to irregular expenditure, fruitless and wasteful expenditure and unauthorised expenditure. In this context, 'irregular expenditure' refers to expenditure that was incurred in contravention with the requirements of any legislation, such as the PFMA itself, and the PPPFA. 'Fruitless and wasteful expenditure' is expenditure which was incurred in a futile manner and which could have been avoided had reasonable care been exercised. 'Unauthorised expenditure' refers to expenditure, which is incurred but was not budgeted for (RSA, 1999a:7–12).

Section 83 of the PFMA states that an accounting authority of a public entity commits an act of financial misconduct if he or she wilfully or negligently fails to comply with the requirements of the following sections of the PFMA: 51, 53, 54 and 55, or make or permit an irregular expenditure or fruitless and wasteful expenditure (cf. section 2.4.1 of this thesis).

- Section 50 outlines the fiduciary duties of accounting authorities of public entities.
- Section 51 lists the general responsibilities of accounting authorities.
- Section 53 outlines the requirements pertaining to the submission of annual budgets by schedule 3A of the PFMA public entities, under which SASSA falls.
- Section 54 lists the information to be submitted by accounting authorities, in terms of the PFMA.
- Section 55 details the requirements pertaining to the tabling of annual reports and financial statements (RSA, 1999a:64).

The above sections are described in detail below.

4.5.1. Section 50: Fiduciary duties of accounting authorities

Section 50(1) of the PFMA details the fiduciary duties of accounting authorities, and stipulates the following (RSA, 1999a:46–47):

- 1) Accounting authorities of public entities must do the following:
 - a) Protect the assets and records of public entities,

- b) Be loyal, honest and have integrity in the management of the financial affairs of public entities,
- c) Disclose all material facts, to the political office-bearer responsible for that public entity or the legislature to which the public entity is accountable when requested to do so. In the case of SASSA, it is an Agency of the DSD and as such, the Agency's accounting authority reports to the political office-bearer of that department, and
- d) Avert any prejudice to the financial interests of the state.

Section 50(2) states the following:

- 2) An accounting authority may not:
 - a) Act in a way that is in conflict with the responsibilities assigned to the accounting authority in terms of the PFMA, or
 - b) Use their position or confidential information attained as a member of an accounting authority, for personal gain or to improperly benefit another person.

Section 50(3) stipulates the following:

- 3) A member of an accounting authority must:
 - a) Divulge any direct or indirect personal or private business interest that they, their spouse, their partner or close family member may have in any matter before the accounting authority, to the accounting authority, and
 - b) Recuse themselves from the proceedings of the accounting authority when that matter is considered, other than if the accounting authority's view is that the member's direct or indirect interest in the matter is immaterial.

4.5.2. Section 51: General responsibilities of accounting authorities

Section 51(1) details the following (RSA, 1999a:47–49):

- 1) An accounting authority of a public entity:
 - a) Must ensure that the public entity has and maintains:
 - i. An effective, efficient and transparent systems of financial and risk management and internal control; and
 - ii. A system of internal audit under the control and direction of an audit committee, which complies with and operates in accordance with the prescribed regulations and instructions.
 - b) Must take effective and appropriate steps to:
 - i. Collect all revenue due to the public entity;
 - ii. Prevent irregular expenditure, fruitless and wasteful expenditure, losses

resulting from criminal conduct, and expenditure that does not comply with the operational policies of the public entity; and

- iii. Manage available working capital efficiently and economically.

- c) Is responsible for the management, including the safe-guarding, of the assets of the public entity and for the management of its revenue, expenditure and liabilities;
- d) Must comply with any tax, levy, duty, pension and audit commitments as required by legislation;
- e) Must take effective and appropriate disciplinary steps against any employee of the public entity who:
 - i. Breaches any provision of the PFMA;
 - ii. Commits an act which undermines the financial management and internal control system of the public entity; or
 - iii. Makes or permits an irregular expenditure or a fruitless and wasteful expenditure.
- f) Is responsible for the submission of all reports, returns, notices and other information pertaining to the public entity, to Parliament or the relevant provincial legislature and to the relevant political office-bearer or treasury, as may be required by the PFMA; and
- g) Must comply, and ensure that the public entity complies with the provisions of the PFMA and any other legislation applicable to the public entity.

Section 51(2) states that, if an accounting authority is unable to comply with any of the responsibilities determined for him or her as listed above, he or she must promptly notify the relevant political office-bearer and treasury of his or her inability as well as furnish the reasons for his or her inability.

4.5.3. Section 53: Annual budgets by schedule 3A public entities

Section 53 requires accounting authorities of schedule 3A public entities, such as SASSA, to submit a budget, outlining estimated revenue and expenditure for that financial year, for approval by the political office-bearer responsible for that public entity, who is the Minister of the DSD, at least six months before the start of the financial year. The South African government's financial year starts on 1 April and ends on 31 March. Furthermore, the accounting authority of a public entity is responsible for ensuring that expenditure of the public entity is in accordance with the approved budget (RSA, 1999a:50).

4.5.4. Section 54: Information submitted by accounting authorities

Section 54(1) stipulates that accounting authorities of public entities must submit to the relevant treasury or the Auditor-General, information, returns, documents, explanations and motivations as may be prescribed, or as the relevant treasury or the Auditor-General may require.

Section 54(2) requires that, before a public entity can conclude any of the transactions listed below, the accounting authority for the public entity must promptly and in writing inform the relevant treasury of the transaction. Furthermore, the accounting authority must submit relevant particulars of the transaction to its political office-bearer for approval of the transaction (RSA, 1999a:50–51):

- a) Establishment or participation in the establishment of a company;
- b) Participation in a significant partnership, trust, unincorporated joint venture or similar arrangement;
- c) Acquisition or disposal of major shareholding in a company;
- d) Acquisition or disposal of a significant asset;
- e) Start or termination of a substantial business activity; and
- f) A substantial change in the nature or extent of its interest in a significant partnership, trust, unincorporated joint venture or similar arrangement.

Section 54(3) states that a public entity may assume that approval has been granted if it does not receive a response from the political office-bearer on a submission in terms of subsection (2) as noted above, within thirty days or within a longer period as may be agreed to, between itself and the political office-bearer.

4.5.5. Section 55: Annual report and financial statements

Section 55(1) states that the accounting authority for a public entity must (RSA, 1999a:51–52):

- a) Keep full and proper records of the financial affairs of the public entity.
- b) Prepare financial statements for each financial year in accordance with Generally Accepted Accounting Practice (GAAP), unless the Accounting Standards Board approves the application of GRAP for that public entity. Generally Accepted Accounting Practice is a set of accounting rules mainly used in the private sector, and is being imported to some public sector entities, whereas GRAP is a set of accounting concepts and guidelines for accounting processes in the public sector. Although the two sets of accounting rules are used in different environments, that is, the public and private sectors, they have the same

function of ensuring that financial activities are recorded and reported accurately, consistently and reliably.

- c) Submit financial statements within two months after the end of the financial year:
 - i. To the auditors of the public entity for auditing; and
- d) Submit the following within five months of the end of a financial year to the relevant treasury, to the political office-bearer responsible for that public entity and, if the Auditor-General did not perform the audit of the financial statements, to the Auditor-General:
 - i. An annual report on the activities of that public entity during that financial year;
 - ii. The financial statements for that financial year, after the statements have been audited, and
 - iii. The report of the auditors on those statements.

Section 55(2) requires that the annual report and financial statements referred to in section 55(1)(d) must:

- a) Fairly present the state of affairs of the public entity, its business, its financial results, its performance against predetermined objectives and its financial position as at the end of the financial year concerned;
- b) Include details of:
 - i. Any material losses through criminal conduct and any irregular expenditure and fruitless and wasteful expenditure that occurred during the financial year;
 - ii. Any criminal or disciplinary steps taken as a consequence of such losses, referred to in (i) above,
 - iii. Any losses recovered or written off;
 - iv. Any financial assistance received from the state and commitments made by the state on its behalf; and
 - v. Any other matters that may be prescribed.

Section 55(3) states that an accounting authority must submit the report and statements referred to in section 55(1)(d), for tabling to Parliament or provincial legislature, to the relevant political office-bearer through the accounting officer of the department to which the accounting authority is accountable.

The discussion above detailed the various sections of the PFMA, which accounting authorities have to implement and with which they have to comply. Failure of which would mean they could be found guilty of financial misconduct.

4.5.6. Section 85: Regulations on financial misconduct procedures

Section 85 of the PFMA states the following (RSA, 1999a:65):

- 1) The Minister of Finance must make regulations prescribing:
 - a) The manner, form and circumstances in which allegations of financial misconduct, disciplinary procedures and criminal charges thereof must be reported to the National Treasury, the relevant provincial treasury and the Auditor-General, including:
 - i. Particulars of the alleged financial misconduct; and
 - ii. The steps taken in connection with the alleged financial misconduct.
 - b) Matters relating to the investigation of allegations of financial misconduct;
 - c) The circumstances in which the National Treasury or a provincial treasury may direct that disciplinary steps be taken or criminal charges be laid against a person found guilty of financial misconduct;
 - d) The circumstances in which a disciplinary board which hears a charge of financial misconduct must include a person whose name appears on a list of persons with expertise in state finances or public accounting compiled by the National Treasury; and
 - e) The circumstances in which the findings of a disciplinary board and any sanctions imposed by the board must be reported to the National Treasury, the relevant provincial treasury and the Auditor-General.

4.5.7. Offences and penalties

According to section 86 of the PFMA, an accounting authority is guilty of an offence and liable on conviction to a fine, or to imprisonment for a period not exceeding five years, if that accounting authority wilfully or in a grossly negligent way fails to comply with a provisions of sections 50, 51 or 55 (cf. sections 4.5.1, 4.5.2 and 4.3.3 of this thesis). Furthermore, other than officials who are authorised to do so, unauthorised officials are also guilty of an offence and liable on conviction to a fine or to imprisonment for a period not exceeding five years if:

- Firstly, he or she purports to borrow money or to issue a guarantee, indemnity or security for or on behalf of a department, public entity or constitutional institution.
- Secondly, he or she enters into any other contract, which purports to bind a department, public entity or constitutional institution to any future financial commitment (RSA, 1999a:66).

4.6. TREASURY REGULATIONS ON FINANCIAL MISCONDUCT

The following section considers the Treasury Regulations: PFMA on financial misconduct, which provide guidance on the practical application of the PFMA on how to deal with cases of financial misconduct.

4.6.1. Investigation of alleged financial misconduct

Regulation 33.1: Implementation of sections 85(1)(b), (c) and (d) of the PFMA (National Treasury, 2005:92):

33.1.1. If an employee is alleged to have committed financial misconduct, the accounting authority of a public entity must ensure that an investigation is conducted into the matter and if confirmed, must ensure that a disciplinary hearing is held in accordance with the relevant prescripts, such as the Public Service Act, 1994 (Proclamation 103 of 3 June 1994) (RSA, 1994).

33.1.2. The accounting authority must ensure that the investigation is instituted within 30 days from the date of discovery of the alleged financial misconduct.

33.1.3. If an accounting authority or any of its members is alleged to have committed financial misconduct, the relevant political office-bearer must initiate an investigation into the matter and if the allegations are confirmed, must ensure that appropriate disciplinary proceedings are initiated immediately.

33.1.4. The relevant treasury may, after consultation with the political office-bearer:

- (a) Direct that a person other than an employee of the public entity conducts the investigation; and/or
- (b) Issue any reasonable requirement regarding the way in which the investigation should be performed.

4.6.2. Unauthorised, irregular, fruitless and wasteful expenditure

Regulation 9.1: Implementation of sections 38(1)(g) and 76(2)(e) of the PFMA (National Treasury, 2005:25):

9.1.1. An accounting authority of a public institution must endeavour to prevent and detect irregular, fruitless and wasteful expenditure. In order to do this they must implement effective, efficient and transparent processes of financial and risk management, such as an internal audit function.

9.1.2. When an official discovers irregular or fruitless and wasteful expenditure, they must report such expenditure immediately to the accounting authority. Such cases must also be reported in the monthly reports, as required by section 40(4)(b) of the PFMA. Furthermore, irregular expenditure incurred by a public institution, that is in contravention with tender procedures must also be brought to the attention of the relevant tender board

or procurement authority, whichever is applicable.

9.1.3. When an accounting authority determines the relevant disciplinary steps against an official in terms of section 38(1)(g) of the PFMA, they must take into account:

- (a) The circumstances of the offence;
- (b) The monetary value involved; and
- (c) The nature and seriousness of the offence.

9.1.5. The amount of the irregular, fruitless and wasteful expenditure must be disclosed as a note in the annual financial statements of public institutions.

4.6.3. Losses or damages through acts committed or omitted by officials

Regulation 12.7: Implementation of Sections 76(1)(b) and 76(4)(a) of the PFMA (National Treasury, 2005:32-33):

12.7.1. If an official is found to be liable in law for committing an act that results in a state institution suffering damages, the losses must be recovered from the official; and

12.7.2. An accounting authority is responsible for determining the amount of the loss or damage and, has to send a request to the official in writing, instructing him/her to pay the amount within 30 days or in reasonable instalments. If the official fails to comply with the request, the matter must be handed to the State Attorney for the recovery of the loss or damage.

The Treasury Regulations: PFMA stipulate the legal grounds on which money has to be paid back to the state, in instances of financial misconduct. This contradicts what was indicated in Chapter two of this thesis, in this regard, where Pauw *et al.* (2002:42-43) are reported to have said that the legal grounds on which money has to be paid back to the state, when unauthorised expenditure (a form of financial misconduct) has occurred, are not sufficiently provided for by the PFMA (cf. section 2.4.1).

4.6.4. Criminal proceedings

Regulation 33.2: Implementation of section 86 of the PFMA (National Treasury, 2005:92):

33.2.1. An accounting authority must advise the Auditor-General and the relevant political office-bearer and treasury of any criminal charges it has reported to the National Director of Public Prosecution (NDPP), in terms of section 86 of the Act.

33.2.2. The political office-bearer or relevant treasury may direct a public entity to report a matter of criminal financial misconduct by any official to the NDPP should an accounting authority fail to take appropriate action.

4.6.5. Reporting of financial misconduct cases

Regulation 33.3: Implementation of sections 85(1)(a) and (e) of the PFMA (National Treasury, 2005:92):

33.3.1. An accounting authority must, on an annual basis, submit to the political office-bearer, the relevant treasury and Auditor-General a schedule of –

- (a) The outcome of any disciplinary hearings and/or criminal charges,
- (b) The names and ranks of employees involved, and
- (c) The sanctions and any further actions taken against these employees.

4.7. APPLICABLE STATUTORY FRAMEWORK GOVERNING FINANCIAL MISCONDUCT

Section 84 of the PFMA states that when an accounting authority or official is charged with financial misconduct he or she must be investigated, heard and disposed of in terms of the statutory or other conditions of employment, applicable to that accounting authority or official. In addition, any regulations prescribed by the Minister of Finance in terms of section 85 of the PFMA should be considered. The conditions for employment in the public service are stipulated in the Public Service Act, which should be read together with the Public Service Regulations, 2001 (RSA, 2001).

Cases of financial misconduct are unethical acts on the part of public officials (cf. section 2.4.2 of this thesis). These cases result in losses to the state and the public at large. The South African government has promulgated a number of statutes and frameworks under its anti-corruption strategy (Public Service Commission, 2018), aimed at dealing with unethical conduct by public officials and promoting transparency, accountability and good governance. Some of the statutes and frameworks are discussed in the sections below.

4.7.1. Constitution (1996)

The Public Service Commission (PSC) was established in terms of section 196 of the Constitution (1996), and its powers and functions can be summarised as follows (RSA, 1996:95):

- to investigate, monitor and evaluate the organisation, administration and personnel practices of the public service;
- to propose measures that ensure effective and efficient performance within the public service;
- to provide directions aimed at ensuring that personnel procedures relating to

recruitment, transfers, promotions and dismissals comply with the values and principles set out in section 195 of the Constitution (1996), which addresses the basic principles governing public administration in South Africa;

- to investigate and evaluate the application of personnel and public administration practices, and to report to the relevant political office-bearers and legislatures;
- to investigate grievances of employees in the public service concerning official acts or omissions, and to recommend appropriate remedies; and
- to report on cases of financial misconduct in the public service and the monetary value of such cases. Cases of financial misconduct include material losses through criminal conduct, and unauthorised, irregular, fruitless and wasteful expenditure by public officials (RSA, 1999a:7–12). The PSC thus has the responsibility of maintaining an effective and efficient public administration and a high standard of professional ethics within the public service. Maintaining an effective and efficient public service includes the proper management of public finances as elaborated in the PFMA (RSA, 1999a:1). The work done by the PSC therefore supports the successful implementation of the PFMA.

Furthermore, the PSC launched the National Anti-Corruption Hotline in September 2004, which aims to prevent and combat corruption, such as fraud, by promoting and encouraging the reporting of corrupt practices (Public Service Commission, 2006:2). However, Webb (2010:296) says the National Anti-Corruption Hotline was ineffective, and that government's efforts could be better directed towards promoting an ethical culture.

4.7.2. The Public Service Act, 1994 (Proclamation 103 of 3 June 1994)

The Public Service Act, 1994 (RSA, 1994) read together with the Public Service Regulations, 2001 (RSA, 2001) aim to provide for the organisation and administration of the public service. Furthermore, the Public Service Act provides for the regulation of the conditions of employment, terms of office, discipline, retirement and expulsion of members of the public service, and related matters. The Public Service Regulations apply to all persons employed in institutions governed in terms of the Public Service Act, and are aimed at providing guidance to public officials pertaining to the interpretation of the Public Service Act. The disciplinary and dismissal proceedings of public officials as a result of financial misconduct would need to take place in accordance with the stipulations of the Public Service Act (cf. section 4.6.1 of this thesis).

4.7.3. Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004)

The objectives of the Prevention and Combating of Corrupt Activities Act are to (RSA, 2004a:1):

- Provide for the strengthening of measures to prevent and combat corrupt activities such as fraud;
- Provide for the offences of corrupt activities, and for investigative measures that relate to corrupt activities;
- Provide for the establishment and endorsement of a register that places restrictions on persons and enterprises convicted of corrupt activities relating to tenders and contracts;
- Place a duty on persons holding a position of authority to report corrupt transactions; and
- Provide for extraterritorial jurisdiction in respect of offences relating to corrupt activities and related matters.

The Prevention and Combating of Corrupt Activities Act (RSA, 2004a), is thus a central Act in dealing with corrupt activities, including financial misconduct in the public service.

4.7.4. Protected Disclosures Act, 2000 (Act No. 26 of 2000)

The Protected Disclosures Act (RSA, 2000c) makes provision for procedures with which employees in both the private and the public sectors may disclose information pertaining to unlawful or irregular conduct by their employers or their colleagues. Furthermore, the Act provides for the protection of employees who make a disclosure, which is protected in terms of the Act, and for related matters. This Act plays a significant role in encouraging public officials to make disclosures relating to unlawful conduct, including financial misconduct, by protecting them against any discrimination, which may follow the disclosure. The Act should thus go a long way in encouraging acts of whistle-blowing, which in turn should contribute to reducing unlawful acts.

4.7.5. Promotion of Administrative Justice Act, 2000 (Act No. 3 of 2000)

The Promotion of Administrative Justice Act (RSA, 2000b) gives effect to the right to administrative justice action that is lawful, reasonable and procedurally fair. Furthermore, the Act gives effect to the right to written reasons for administrative justice action as intended in section 33 of the Constitution (1996), and provides for supplementary matters. To this end, Coetzee (2014:830) highlights that an independent judiciary is vital for securing fairness in governance.

4.7.6. Executive Members' Ethics Act, 1998 (Act No. 82 of 1998)

The Executive Members' Ethics Act (RSA, 1998) provides a code of ethics that governs the conduct of members of the cabinet, deputy ministers and members of provincial executive councils and related matters. The Act, therefore, provides for how political leaders in national and provincial governments have to conduct themselves. The researcher believes that the leadership provided by the politicians should illustrate their commitment to the fight against corrupt activities, such as fraud, in order to demonstrate that there is political will to fight against these (cf. section 2.3.2.5 of this thesis).

4.7.7. Public Service Regulations

Chapter 2 of the Public Service Regulations details the Public Service Code of Conduct for public officials (Department of Public Service and Administration [DPSA], 2016:17–32). The code of conduct acts as a guideline for public officials and pertains to what is expected of them from an ethical point of view, in their individual conduct and in their relationships with others. It is envisaged that compliance with the code will enhance professionalism and assist in ensuring that the public has confidence in the public service (Public Service Commission, 2015:1).

If properly implemented, the above legislations and frameworks aimed at promoting ethical conduct in the public service could play a significant role in complementing and directing the work of the internal audit function of making recommendations for the institution of internal controls that prevent unethical practices.

4.8. AUDIT COMMITTEES: INSTITUTE OF INTERNAL AUDITORS

The IIA is an organisation that was founded in the United States of America in 1941 (IIA, 2018:1). It is a professional association that promotes the development of the practice of internal auditing, and it has over 76 400 members in 141 countries, including South Africa. It is also the recognised authority, chief educator, and acknowledged leader in standards, certification, research and technological guidance for the internal audit profession throughout the world (Institute of Internal Auditors Research Foundation [IIARF], 2003:2). Furthermore, Treasury Regulations: PFMA stipulate that internal audits in the public sector must be carried out in accordance with the standards of the IIA (National Treasury, 2005:9).

It is necessary to consider in this section, firstly, the meaning of an independent audit committee in the public sector according to the IIA. The IIA (2014:4) regards an independent audit committee in the public sector as a board-level committee, which is made up of a majority of independent members with a responsibility to provide oversight of management practices in key governance areas. Furthermore, an audit committee member is deemed independent if he or she is not employed by or providing any services to the public institution beyond his or her duties as a committee member. The composition of an audit committee is critical, and a committee should be made up of a majority of external members. Its chair and members should demonstrate inquisitiveness, outspokenness and courageousness. Best practice personal attributes of audit committee members include sound judgement, objectivity and integrity, a healthy constructive scepticism, a high level of ethics, and strong communication skills. Audit committees thus support public sector institution boards or accounting authorities by providing oversight of governance, risk management and internal control practices, as well as help build trust and confidence in how public institutions are managed (IIA, 2014:6–7).

4.8.1. Functions of audit committees

The IIA (2014:6) highlights that audit committees play an important role, which includes improving and providing transparency on matters of governance, risk management and internal control practices in public sector institutions. Part of the function of an audit committee in relation to risk management is to oversee the IT risks and fraud risks as these relate to financial reporting and internal financial controls, which includes reporting to the board on the effectiveness thereof (KPMG Advisory, 2009:2). Other typical audit committee responsibilities are:

- reviewing and providing oversight on the systems and practices established by management to set and sustain high ethical standards; and
- monitoring compliance with laws, regulations, policies and standards of ethical conduct (IIA, 2014:9).

Audit committees thus play an independent oversight and advisory role, leaving the responsibility for decision-making to management. This points to the fact that audit committees do not make executive decisions. If an audit committee is involved in making decisions, this may affect its objectivity and ability to remain independent, negatively. An audit committee is a key component of the governance structure of a public institution, and effective committees are able to assist boards or accounting authorities and a CAE

in ensuring high-quality internal and external reporting. Effective audit committees are also able to strengthen the independence of the audit activity (KPMG Advisory, 2009:7; IIA, 2014:6).

4.8.2. The Audit Committee Charter

An audit committee charter should establish an audit committee mandate, and outline the roles and responsibilities of an audit committee and its members. Such charter should establish the authority to obtain information and required resources, and outline the respective roles and responsibilities of internal and external stakeholders who have an obligation to interact with the audit committee. The process for developing, reviewing and updating the charter and the frequency of review must also be outlined in the charter. Best practice suggests that a charter must be reviewed annually and modified as required. The board of an institution should review and approve the charter. Once established, the charter should be maintained and communicated within the institution. Best practice further suggests that an audit committee charter should be published in publicly available material and on the website of the institution. This would enable key stakeholders to have easy access to the charter (IIA, 2014:8).

4.8.3. Audit committee composition

The key to the effectiveness of an audit committee is having members with an appropriate mix of skills and experience relevant to the responsibilities of the organisation. The ideal composition of an audit committee and attributes of its members depend on different factors, such as the size, complexity and responsibilities of the institution. In the main, audit committees have between three and eight members with typical audit committees having four or five members. Generally, the minimum number of members for an effective audit committee is three, as this ensures that a sufficient range of skills and experience are available (IIA, 2014:10). This is in line with the PFMA as discussed under point 4.3.2 of this thesis.

4.8.4. Expertise and skills of audit committee members

Audit committee members are required to be knowledgeable collectively, or to have expertise in finance and accounting, industry-specific and overall business knowledge, internal and external auditing, risk management, regulatory compliance, law and IT. Furthermore, certain skills and experience may be required due to the nature of the operations of the institution. Best practice requires an audit committee to have at least

one person who is a financial expert. It is also important to evaluate competencies periodically in order to align members' competencies with emerging institutional needs. When a vacancy occurs, this presents an opportunity to assess existing competencies against required competencies, in order to identify gaps that may exist. The responsibility for nominating and appointing audit committee members differ among various countries, as shown below (IIA, 2014:15):

- In Australia, CEOs normally appoint audit committee members, which may have a bearing on independence.
- In Scotland, the board (or accounting officer) is responsible for appointing audit committee members.
- In Ireland, secretaries general (human resources) appoint internal members of audit committees from within their own departments, and external members are invited from other government departments, the wider public sector and the private sector.
- In Canada, appointments to audit committees of public entities are made by boards, as recommended by the president of a board, through an appointment order specifying the tenure of the appointment. Appointments to audit committees of federal government departments are made jointly by the board and the Comptroller-General of Canada.
- In South Africa, the board or accounting authority of an institution appoints audit committee members in consultation with the relevant political office-bearer of the particular department.
- In Egypt, a board appoints audit committee members.
- In New Zealand, the Auditor-General recommends that the chair of the governing body or departmental CEO should first appoint the chair of the audit committee. Furthermore, a chair of an audit committee must also be consulted before further appointments to an audit committee are made.

If audit committee members are to be effective, it is important that they have sufficient knowledge of the institution. All audit committee members should thus have or acquire as soon as possible after appointment an understanding of:

- the mission of the institution and current important issues;
- the structure of the institution, including key relationships;
- the culture of the institution;

- any relevant legislation or other rules governing the institution;
- key risks that the institution faces in meeting its objectives; and
- the structures to which the institution is accountable.

The institution should thus provide its committee members with orientation training within a reasonable time following appointment (IIA, 2014:12–13).

4.8.5. Chair of audit committee

The board or the accounting authority should elect an audit committee chair. The chair of an audit committee is the central point of communication, and is key to an effective and independent audit committee. The personal attributes of the audit committee chair are important. He or she must have leadership skills and the courage to raise and tackle difficult issues and encourage others to do the same. He or she must also understand the importance of relationships with key stakeholders, and should have the interpersonal skills to nurture those relationships as well as build and maintain effective working relationships (IIA, 2014:13).

4.8.6. Approach to assessing audit committee performance

A capable, balanced and committed audit committee could make a substantial difference in the public sector by ensuring effective accountability and transparency. There are many similarities between the features of public and private sector audit committees. One noteworthy difference is the public interest feature that applies to public sector audit committees. A high-performing public sector audit committee could help to ensure that there is an objective analysis of information and that information, which supports decisions, is credible. This assists in creating a better future for the communities who are served by the public institutions (IIA, 2014:15). High-performing audit committees are thus typically founded on three key pillars:

- the compliance of the audit committee with its formal charter;
- the level of participation of audit committee members; and
- the ability of the committee to initiate value-adding activities and outcomes that are in line with the vision, statutory objectives and strategies of the institution (IIA, 2014:17).

The performance of an audit committee should thus be assessed on a set intermittent basis as stipulated in the audit committee charter. Assessments ensure that the audit

committee is meeting the requirements outlined in its charter and that its contribution is consistent with the needs and expectations of the institution and, ultimately, government. Overall, audit committee performance and individual member performance are normally assessed annually (IIA, 2014:16; cf. section 2.3.7.1 of this thesis).

4.8.7. Audit committee reporting

The true worth of an audit committee is shown in the outcomes that it achieves. Best practice thus calls for institutions to capture their audit committee contributions in their annual reports. Audit committee performance results can be reported either internally (within the institution) or to external stakeholders or both (IIA, 2014:20).

The researcher believes that the responsibilities of an audit committee outlined above illustrate the importance that audit committees play in enabling the internal audit function to perform its duties successfully. Furthermore, the discussion above points to the importance of having audit committee members who have the required skills and personal attributes. Having the required skills and personal attributes would contribute to enabling an audit committee to execute its functions successfully, in turn enabling the internal audit function to do the same.

4.9. CODE OF ETHICS FOR INTERNAL AUDITORS

The code of ethics for internal auditors was adopted by the IIA board of directors in 2000 and applies to individuals and institutions that provide internal auditing services. The purpose of this code of ethics is to promote an ethical culture in the profession of internal auditing. A code of ethics is necessary as the internal audit profession is based on a trust relationship that must exist between the function and the rest of the institution. Allen *et al.* (2013:378–379) remark that the code of ethics for internal auditors describes the requirements for the conduct of internal auditors, and focuses on four main areas:

- Integrity – gives internal audit clients and stakeholders the assurance that they can rely on the internal auditor's judgement.
- Objectivity – assures internal audit clients and stakeholders that the assessment by the internal auditor is balanced and not influenced by his or her own interests.
- Competency – indicates that the internal auditor has the necessary skills and knowledge to make thorough judgements.
- Confidentiality – is critical in ensuring that the internal auditor does not disclose information without the necessary authority.

Members who breach the code of ethics are subject to disciplinary action by the IIA. The code of ethics, therefore, plays a role of assuring institution members that members of the internal audit function will conduct themselves in line with the code of ethics of internal auditors. The code of ethics comprises the following components:

- firstly, principles, which are applicable to the profession and practice of internal auditing; and
- secondly, rules, which describe the behaviour that is expected of internal auditors. These rules assist in interpreting the principles into practice, and are aimed at guiding the ethical conduct of internal auditors (IIA, 2000:1).

The above principles and rules are described below.

4.9.1. Principles

The following are principles that internal auditors are expected to apply and uphold (IIA, 2000:1):

4.9.1.1. Integrity

The integrity of internal auditors establishes trust and provides the basis on which reliance on internal auditors' judgement is built.

4.9.1.2. Objectivity

Internal auditors must demonstrate the highest level of professional objectivity in gathering, evaluating and communicating information about the activity or process being audited. Internal auditors must thus make a balanced assessment of all the relevant circumstances and must demonstrate that they are not unduly influenced by their own interests or by others in forming their judgements.

4.9.1.3. Confidentiality

Internal auditors must respect the value and ownership of information that they receive. Furthermore, they must not disclose the information without the appropriate authority, unless there is a legal or professional obligation to do so.

4.9.1.4. Competency

Internal auditors must apply the knowledge, skills and experience needed when rendering their internal auditing services (IIA, 2000:1).

4.9.2. Rules of conduct

The following are rules to which internal auditors must adhere when carrying out their duties. Internal auditors shall therefore (IIA, 2000:1):

- perform their work with honesty, diligence and responsibility;
- observe the law, and make disclosures expected by the law and the profession;
- not knowingly participate in any illegal activities, or engage in acts that bring the profession of internal auditing, the institutions for whom they work, and the IIA into disrepute;
- respect and contribute to the appropriate and ethical objectives of the IIA and institutions for whom they work;
- not partake in any activities or relationships that may prejudice or be assumed to prejudice their unbiased assessment;
- not accept anything that may prejudice or be assumed to prejudice their professional judgement;
- disclose all material facts of which they are aware that, if not disclosed, may misrepresent the reporting of activities under review;
- be sensible in the use and protection of information acquired in the course of their duties;
- not use information acquired in the course of their duties for any personal gain or in any manner that would be in conflict with the law or detrimental to the legitimate and ethical objectives of the IIA and institutions for whom they work;
- only engage in services of which they have the necessary knowledge, skills and experience;
- perform internal audit services in accordance with the IIA's International Standards for the Professional Practice of Internal Auditing (cf. section 4.11 of this thesis); and
- continually improve their proficiency and the effectiveness and quality of their services.

Furthermore, the International Standard on Auditing (ISA) 200, which stipulates the overall objectives of an independent auditor and his or her conduct during an audit, states (International Federation of Accountants [IFAC], 2009:78):

- Firstly, an auditor shall comply with relevant ethical requirements, including those pertaining to independence, relating to financial statement audit engagements.

- Secondly, an auditor shall plan and perform an audit with professional scepticism acknowledging that circumstances may exist that cause the financial statements to be materially misstated.
- Thirdly, an auditor shall exercise professional judgement in planning and performing an audit of financial statements.
- Fourthly, in order to obtain reasonable assurance, an auditor shall obtain sufficient and appropriate audit evidence to reduce institutional risks to acceptable levels (IFAC, 2009:78).

The researcher is of the view that the above requirements would assist an auditor in reaching reasonable conclusions on which opinions are based.

4.10. KING REPORTS ON CORPORATE GOVERNANCE: INTERNAL AUDIT FUNCTION

The King reports on corporate governance, which were issued by the King Committee on Corporate Governance, detail South Africa's code on corporate governance. The King committee was chaired by the retired judge of the South African Supreme Court, Mervyn E. King. Four King codes are described below, King I was issued in 1994, King II, in 2002, King III, in 2009 and King IV, in 2016. Compliance with the King codes is a requirement for companies listed on the JSE. The King II, III and IV codes saw these being introduced to more public sector institutions, as discussed below. The King codes are thus regarded as the most effective summary of best international practices on corporate governance. The four King codes are summarised below.

4.10.1. King I

The first King code on corporate governance (King I) was published in 1994. It established recommended standards of conduct for boards and directors of listed companies on the JSE, banks and certain state-owned enterprises such as Eskom, insurance companies and so-called large companies, which were defined as companies with shareholder equity of over R50 million. All other companies were also encouraged to adopt the code. The code was all-encompassing and comprised financial and regulatory aspects, such as the requirement for effective audits and a code of ethics (Cliffe Dekker Attorneys, 2002:2; IoDSA, 2002:7).

4.10.2. King II

Following the Earth Summit which was held in Johannesburg in 2002, former Judge King suggested that the King I code should be revised, and this culminated into the release of the King II code, which included new sections on sustainability, the role of a corporate board, and risk management. This revised code of governance was thus applicable from March 2002. In addition to the types of institutions listed in the King I code, the King II code became applicable to national, provincial and local government administrations, as well as all other public institutions that perform their functions in terms of the Constitution, excluding the courts. The key principles from the King II code covered the following areas: directors and their responsibilities, risk management, internal auditing, integrated sustainability reporting, and legislative enforcement. It should be noted that the King codes are not enforced through legislation. However, the principles put forward in the codes are embodied as law in legislation such as the Companies Act (Act No. 71 of 2008) (RSA, 2008), the PFMA, which was the subject of this study, and the Promotion of Access to Information Act (Act No. 2 of 2000) (RSA, 2000a) (IoDSA, 2002:21).

4.10.3. King III

Judge King considered that it was incorrect to include sustainability as a separate chapter from other factors in the King II code, as this led companies to report on it separately from other factors. The King III code, which was published in 2009, and became applicable from March 2010, integrated governance, strategy and sustainability. The code incorporated a number of global emerging governance trends, such as risk-based internal auditing, evaluation of the performance of the board of directors, IT governance, and business rescue. In contrast to the King I and II codes, the King III was applicable to all institutions, that is, public, private and non-profit. All institutions were encouraged to adopt the King III principles and explain how these have been applied or are not applicable to their institutions (IoDSA, 2009:4).

4.10.4. King IV

The King IV code on corporate governance was drafted in line with the themes of global, continental and country-specific plans or goals, i.e. the United Nations Sustainable Development Goals (SDGs) (United Nations (UN), 2015), the Africa 2063 Agenda (African Union (AU) Commission, 2015) and South Africa's National Development Plan 2030 (NDP 2030) (RSA, 2013). These plans or goals all aim to create value in a sustainable manner (IoDSA, 2016:3). Like its predecessor, the King III code, the King IV

code applies to all organisations, whether private, public or not for profit (IoDSA, 2016:6). The King IV code continues to emphasise the importance of an internal audit function, and confirms that the function remains key to corporate governance. An internal audit function thus contributes to good governance when it acts as a trusted advisor that adds value by contributing insights in a proactive manner (IoDSA, 2016:31).

4.11. COMPETENCY FRAMEWORK FOR INTERNAL AUDITORS

The IIA global internal audit competency framework is a tool, which is used to define the competencies needed to meet the requirements of the International Professional Practices Framework (IPPF) for the success of the internal audit profession. In this regard, a competency is defined as an individual's ability to perform a job or task properly, and consists of a set of defined knowledge, skills and behaviour. The framework provides a structured guide that enables the identification, evaluation and development of competencies of individual internal auditors (i.e. general staff, managers and the CAE) (IIA, 2013:2). The following are the various stakeholders of the internal audit profession, who make use of the global internal audit competency framework (IIA, 2013:2).

4.11.1.1. Internal auditors

In their development of competencies, internal auditors use the global internal audit competency framework, in meeting their individual career objectives.

4.11.1.2. Course developers and certification groups

Course developers and certification groups within the profession of internal auditing make use of the global internal audit competency framework, in ensuring that courses and certifications are developed and adequately assess the required competencies.

4.11.1.3. Employers, people in other professions and the public

Employers, people in other professions, such as human resource (HR) professionals, and the public use the global internal audit competency framework as a point of reference, for purposes of comparing or benchmarking with competency frameworks, that they may have developed themselves. Additionally, the global internal audit competency framework is used to understand clearly the levels of expertise required for the internal audit profession.

4.11.1.4. The IIA and affiliated institutes

The IIA and its affiliated institutes use the global internal audit competency framework in developing strategies that support their position in the international community in terms of setting of standards for the internal auditing profession.

4.11.1.5. Students

Students use the global internal audit competency framework to understand the competencies they would need in order to show that they have successfully qualified as internal auditors.

4.11.1.6. The academic community

The academic community uses the global internal audit competency framework in order to provide a list of critical professional competencies, which need to be considered in course development. This assists in preparing students for entry into the profession.

4.11.1.7. Recruiters and human resource professionals

Recruiters and HR professionals use the global internal audit competency framework in their development of appropriate job descriptions, and in order to recruit suitably qualified staff (IIA, 2013:2).

The above description of the stakeholders of the internal audit profession who make use of the global internal audit competency framework demonstrates that, in coming up with the framework, the custodians of the internal audit profession, i.e. the IIA, have thoroughly considered who the stakeholders of the profession are. This bodes well for the internal audit profession, and enables individuals outside of the profession, such as the researcher in the current study, to be able to analyse this profession from an outsider's point of view, and be able to contribute.

4.11.2. Ten core internal audit competencies

In 4.11.2., the ten core competencies of the global internal audit competency framework are considered. These are recommended for each broad job level of internal audit staff, internal audit management and the CAE. Each core competency is supported by a list of skills that are more detailed and abilities, which further define the core competency statement. While the core competencies have been defined individually, there are connections and interdependencies between all of the competencies (IIA, 2013:2).

Table 4.1: The competency of professional ethics

The competency of professional ethics aims to promote and apply professional ethics in the internal audit profession (IIA, 2013:6).

	Staff	Manager	CAE
1. Upholds and promotes the code of ethics of the IIA.	X	X	X
2. Applies ethical principles and values to the activities being audited.	X	X	
3. Promotes the adoption of ethical principles and values during auditing activities.			X
4. Follows institutional key policies, practices and procedures.	X	X	X
5. Speaks with authority regarding key institutional policies, practices and procedures.			X
6. Explains the responsibility of the internal audit function pertaining to the ethical culture of their institution.	X		
7. Assesses and promotes an ethical culture on behalf of the board and management.		X	X
8. Treats others fairly without judgement.	X	X	X
9. Maintains and is perceived as maintaining objectivity.	X	X	X
10. Discusses institutional ethical conflicts with the CAE.	X	X	
11. Discusses important organisational ethical conflicts with the board and CEO as deemed suitable.			X
12. Investigates institutional ethical issues and suggests measures for resolution.	X	X	X
13. Acts with the required sensitivity when institutional ethical principles are being abused.	X	X	X
14. Considers public interest when deciding on various course of action.		X	X
15. Applies due professional care when carrying out their duties.	X	X	X

Source: IIA (2013:6)

Table 4.2: The competency of internal audit management

The goal of the competency of internal audit management is to develop and manage the internal audit function (IIA, 2013:7–8).

	Staff	Manager	CAE
1. Promotes the internal audit function and its value in the entire institution.			X
2. Becomes a role model to team members for high performance.		X	X

	Staff	Manager	CAE
3. Evaluates own strengths and weaknesses in order to maximise personal contribution to the institution.	X	X	X
4. Anticipates and responds in a sensitive manner to staff problems, concerns and questions.		X	X
5. Clearly articulates expectations and business goals as well as link these to institutional strategy.		X	X
6. Sets clear performance standards for internal auditors and the internal audit function.			X
7. Endeavour to achieve quality and excellence and encourage others to do the same.	X	X	X
8. Delegates responsibilities in a positive and supportive manner.		X	X
9. Takes personal accountability for outputs delivered in areas they are responsible for.	X	X	X
10. Observes the performance of staff and their workload as well as provide constructive feedback, on time, in order to help others achieve their goals.		X	X
11. Becomes a coach to others in an effort to enhance their competence and professional development.		X	X
12. Develops and implements a professional development plan for members of the internal audit function.		X	X
13. Takes part in continuing professional development as well as use relevant learning opportunities.	X	X	X
14. Provides opportunities and pre-emptive input in the development and career needs of others.		X	X
15. Evaluates self-development and career needs and takes advantage of new challenges and views these as opportunities for personal and professional growth.	X	X	X
16. Maintains up-to-date competencies required for effective internal audit delivery.	X	X	X
17. Alters the internal audit team skill mix and diversity according to institutional objectives and risks.			X
18. Institute recruitment systems that always result in competent performers being hired.			X
19. Uses different assessment tools and tests to assess candidates' capability and competence.		X	X
20. Supports and contributes to the recruitment process within the	X	X	

	Staff	Manager	CAE
internal audit function.			
21. Keeps a succession planning strategy that is regularly updated.			X
22. Values and encourages diverse viewpoints and is sensitive to cultural differences.	X	X	X
23. Leads and supports others by following HR processes.	X	X	X

Source: IIA (2013:7–8)

Table 4.3: International Professional Practices Framework (IPPF)

The International Professional Practices Framework (IPPF) competency applies the IPPF in ensuring that the internal audit profession conducts itself professionally (IIA, 2013:9)

	Staff	Manager	CAE
1. Keeps up to date with current knowledge of the IPPF.	X	X	X
2. Plays a leading role in the implementation of the IPPF in the internal audit function.			X
3. Shows appropriate use and interpretation of the IPPF, and tries to consult if applicability is not clear.	X	X	
4. Follows the requirements of the IPPF when planning and conducting internal audit engagements.	X	X	
5. Adopts a risk-based approach in accordance with the IPPF for annual audit plans, and makes changes when these are necessary.		X	X
6. Makes sure internal audit has access to all systems, processes and people.			X
7. Epitomises and monitors due professional care when conducting audit assignments.	X	X	
8. Demonstrates and monitors due professional care of the internal audit team.			X
9. Leads the development, implementation and review of an internal audit charter and obtains approval from the board.			X
10. Makes sure that the internal audit function remains independent.			X
11. Starts and maintains a quality assurance and improvement programme.			X
12. Manages and backs a quality assurance and improvement programme.		X	
13. Discloses non-conformance with the code of ethics and international standards for professional practice of internal audit with			X

	Staff	Manager	CAE
senior management and board.			

Source: IIA (2013:9)

Table 4.4: Competency of governance, risk and control

The IIA (2013:10) calls for internal auditors to apply a detailed understanding of governance, risk and control, which is appropriate to the institutions they work for.

	Staff	Manager	CAE
1. Educates senior management and board on best practices pertaining to governance, risk and control.			X
2. Assesses the appropriateness of an institution's frameworks for governance, risk and control.		X	X
3. Contributes to the development of risk-orientated culture within the institution.			X
4. Maintains a comprehensive understanding of the institution's current and emerging risk profile.			X
5. Monitors future risk changes to the institution based on political, economic, social, environmental, legal or technological factors and their potential impact.			X
6. Functions within the institution's frameworks for governance, risk and control.	X	X	X
7. Establishes audit engagement plans based on institutional risks and their impact on the institution.	X	X	
8. Applies the concepts of controls during audit activities.	X	X	
9. Assesses IT governance in the institution.		X	X
10. Ensures internal audit activities are aligned with and enhances the institution's enterprise risk management strategy and risk profile.		X	X
11. Makes sure that proposals for improvements to internal controls are balanced with institutional objectives and capabilities.		X	
12. Provides details of the risk profile of the institution to board and senior management.			X
13. Furnishes clarification on the risk profile of the internal audit engagement to relevant parties.	X	X	
14. Promotes a culture of fraud risk awareness at all levels of the institution.	X	X	X
15. Evaluates and accounts for the potential for fraud risk and ascertains		X	X

common types of fraud associated with the institution.			
16. Assesses and accounts for the probability for fraud risk and identifies common types of fraud associated with the internal audit engagement.	X	X	
17. Keeps an understanding of the processes used to support fraud investigations.	X	X	X

Source: IIA (2013:10)

Table 4.5: Competency of business acumen

Internal auditors are required to maintain expertise of the business environment, industry practices and factors specific to institutions for whom they work (IIA, 2013:11)

	Staff	Manager	CAE
1. Maintains an understanding of the institution and its risks.		X	X
2. Maintains industry-specific knowledge appropriate to audit engagements.	X		
3. Upholds industry-specific knowledge suitable to the institution.		X	X
4. Assesses and takes into account basic macroeconomic and microeconomic factors that are relevant to audit engagements.	X		
5. Evaluates and takes into account macroeconomic and microeconomic factors and their influence on the institution.		X	X
6. Maintains an understanding of the latest global developments, regulatory and legal requirements and evaluates their relevance to audit engagements.	X		
7. Maintains an understanding of the latest global developments and regulatory and legal frameworks, including the financial misconduct policy framework within which the institution functions.		X	X
8. Retains technical knowledge on aspects of financial, managerial and cost accounting concepts, standards, systems and reporting processes appropriate to the audit engagements.	X		
9. Evaluates and takes into account the technical aspects of financial, managerial and cost accounting concepts, standards, systems and reporting processes appropriate to the institution.		X	X
10. Considers and takes into account the contribution made by IT to institutional objectives, risks associated with IT, and their relevance to audit engagements.	X	X	
11. Shows sound working knowledge of the quality control frameworks relevant to audit engagements.	X	X	

	Staff	Manager	CAE
12. Assesses the quality control frameworks operated by the institution.			X
13. Takes cultural aspects of the institution into account.	X	X	X
14. Takes the mission, strategic objectives and business nature of the institution into account.	X	X	X

Source: IIA (2013:11)

Table 4.6: Competency of communication

The communication competency considers the effect that the communication of an internal auditor has on others (cf. section 2.3.1.3).

	Staff	Manager	CAE
1. Uses positive communication to secure the trust of the members of the institution.	X	X	X
2. Promotes open communication.	X	X	X
3. Shows others respect and customises messages to reflect the needs of the target audience.	X	X	X
4. Is assertive when expressing ideas in order to influence others.	X	X	X
5. Extracts key information from various sources in order to support communication.	X	X	X
6. Chooses suitable forms of communication (verbal, non-verbal, visual and written) and media (face-to-face, electronic and paper-based).	X	X	X
7. Uses technical conventions of language (spelling, punctuation, grammar, etc.) correctly.	X	X	X
8. Listens actively, and asks questions when required to check own understanding.	X	X	X
9. Asks for feedback from audience to test the effectiveness of his or her communication.	X	X	X
10. Expects reactions to communication and plans responses in advance.	X	X	X
11. Discusses audit findings and the influences of it professionally and confidently with appropriate levels of the institution.	X	X	X
12. Interprets and uses body language to emphasise communication.	X	X	X
13. Uses graphs to communicate processes and other complex information.	X	X	X
14. Delivers information in a structured manner in order to promote learning and development amongst members of the audience.	X	X	X

	Staff	Manager	CAE
15. Applies suitable communication skills during interviews.	X	X	X

Source: IIA (2013:12)

From the above, it is clear that the skills required to support the core competency of communication are common across all staff levels. However, the demands of those skills increase with seniority because –

- the information that is dealt with becomes more complex;
- there are a number of information sources to be accessed;
- the strategic significance of messages that are communicated become greater; when the audiences of the communication become more diverse and more senior (IIA, 2013:12).

Table 4.7: Competency of persuasion and collaboration

Persuasion and collaboration consider an internal auditor's ability to persuade and motivate others through collaboration and cooperation (IIA, 2013:13–14).

	Staff	Manager	CAE
1. Maintains a service-orientated attitude.	X	X	X
2. Anticipates the effect that own interpersonal style may have on others when communicating and building relationships.	X	X	X
3. Manages conflict by negotiating and solving differences.	X	X	X
4. Considers politics of the institution and acts accordingly.	X	X	X
5. Finds a balance between subtleness and firmness.			X
6. Puts people at ease and builds open, positive relationships with all parties.	X	X	X
7. Cultivates and builds effective partnerships with audit engagement clients in order to attain results.	X	X	
8. Nurtures and builds effective strategic partnerships with main internal and external stakeholders in order to achieve results.			X
9. Recognises and manages the needs and expectations of stakeholders.	X	X	X
10. Works well with others and encourages others to do the same.	X	X	X
11. Demonstrates resilience in challenging situations and works with people in a constructive manner.		X	X
12. Leads by example by respecting, helping and cooperating with others.	X	X	X

	Staff	Manager	CAE
13. Influences others in a positive manner by having conviction and being sensitive rather than using their position to influence others.			X
14. Is independent and objective all the time.	X	X	X
15. Influences others in a positive manner, demonstrates trustworthiness and secures respect and cooperation.		X	X
16. Identifies their own limitations and looks for advice and support where necessary.	X	X	X
17. Respects confidentiality and builds trust.	X	X	X
18. Uses various strategies to achieve consensus and support.		X	X
19. Contributes totally as a team player.	X	X	X
20. Endeavours to remove institutional barriers and identifies resources to help the internal audit team.	X	X	X
21. Demonstrates an understanding of motivation theory and group dynamics when encouraging others.	X	X	X

Source: IIA (2013:13–14)

Table 4.8: Competency of critical thinking

Critical thinking competency applies process analysis, business intelligence and problem solving techniques.

	Staff	Manager	CAE
1. Maintains inquisitiveness and exercises professional scepticism.	X	X	X
2. Chooses and makes use of different manual and automated tools and techniques to obtain data and other information on business processes.	X		
3. Analyses and evaluates the efficiency and effectiveness of business processes.	X	X	
4. Ensures that relevant tools and methods are used during business process analyses.		X	
5. Applies problem-solving techniques for repetitive tasks.	X		
6. Selects and uses suitable research, business intelligence and problem solving methods to analyse and solve complex situations.		X	X
7. Uses critical thinking to identify and propose strategies to improve business processes.	X	X	
8. Supports management in finding practical solutions to address issues identified through audit activities.		X	
9. Applies data collection, data mining, data analysis and statistical	X	X	

	Staff	Manager	CAE
methods.			
10. Ensures that information used for decision-making is relevant, accurate and sufficient.	X	X	X
11. Uses benchmark research to support decisions and key messages.			X

Source: IIA (2013:15)

Table 4.9: Competency of internal audit delivery

Internal audit delivery, considers the process of delivering internal audit engagements (IIA, 2013:16).

	Staff	Manager	CAE
1. Applies an audit methodology specific for the institution and carries out audit procedures to meet specific audit engagement objectives.	X	X	
2. Makes sure that audit engagements are planned and delivered in an excellent manner.			X
3. Supervises the carrying out of audit engagements to ensure that objectives are met and quality is guaranteed.		X	
4. Remains objective throughout audit engagements.	X	X	X
5. Manages all resources efficiently to make sure that engagement objectives are met.	X	X	
6. Shows efficiency and persistence, and manages own time and ensures engagement deadlines and objectives are met.	X		
7. Develops, implements and monitors project plans to ensure delivery takes place according to agreed timelines.		X	
8. Chooses and applies appropriate tools and methods to gather, analyse and interpret data, as well as report findings.	X	X	
9. Plans and carries out audit engagements to identify key risks and controls.	X	X	
10. Identifies resources required and addresses limitations for audit engagements.			X
11. Gets reliable, applicable and adequate evidence and assesses it critically.	X	X	
12. Recognises and escalates strategic implications to the institution from audit engagement findings.			X
13. Develops and ensures that working papers truly reflect all activities performed during audit engagements.	X		

	Staff	Manager	CAE
14. Presents findings and comes up with recommendations to address the cause of issues identified and their impact on the institution.	X	X	
15. Provides assurance and advisory services to senior management and the board.		X	X
16. Ensures that the scope of work is appropriate for the audit task.		X	
17. Establishes follow-up processes to monitor management actions.			X
18. Follows up with management to make sure that management actions have been effectively implemented or that senior management has accepted the risk of not taking action.	X	X	

Source: IIA (2013:16)

Table 4.10: Competency of improvement and innovation

Improvement and innovation embrace change and drive improvement and innovation in the internal audit profession (IIA, 2013:17).

	Staff	Manager	CAE
1. Advocates for change, continuous improvement and innovation and supports others in the pursuit of these.			X
2. Strives for and justifies opportunities for continuous improvement.	X	X	
3. Starts and manages change within sphere of responsibility.	X	X	X
4. Inspires others to embrace change by explaining the intended benefits.	X	X	X
5. Provides a vision for how change must be implemented in the institution.			X
6. Encourages others to suggest innovative ideas and provide positive feedback to ensure new ideas are advanced.		X	X
7. Contributes to insight and proposals for change and improvement.		X	X
8. Makes a substantial contribution to the change strategy of the institution.			X
9. Considers and analyses the reasons for change in the institution.		X	X
10. Recognises the risks related to change and adjusts audit activity to manage the risks.	X	X	X
11. Evaluates the potential barriers and resources for change initiatives.	X	X	X
12. Implements change programmes in the entire audit function and team.		X	X
13. Maintains personal performance and effectiveness in changing and unclear environments.	X	X	X
14. Makes room for new priorities and implements positive changes in area of responsibility.	X	X	X
15. Changes team priorities to new and changing priorities of the institution.		X	X

	Staff	Manager	CAE
16. Anticipates reactions to change and adjusts own style to support others.	X	X	X

Source: IIA (2013:17)

From the above ten core competencies for the internal audit profession, it was clear that professional ethics and internal audit management competencies provide a firm foundation for the delivery of the internal audit function. In order to be able to provide an effective service, internal auditors need to operate according to high ethical standards as well as coordinate the resources and activities of the internal audit function. The main points to consider, regarding the expertise of an internal auditor, are therefore the International Professional Practices Framework (IPPF), governance, risk and control, and business acumen. The IPPF is the primary source of professional standards for the internal audit profession, provided by the IIA to all internal auditors globally (IIA, 2013:3). Furthermore, internal auditors need to have technical expertise in areas of governance; risk and control in order to inform their work and assist their institutions to accomplish their objectives.

Business acumen in this regard pertains to understanding institutions, their cultures, the way they work, the sector within which they operate, and the local and global factors that affect them. Understanding the workings of institutions for whom internal auditors work enables such auditors to provide effective assurance and advisory services that add value to the institutions. In line with communication theory (cf. section 2.3.1.3), internal auditors need to be competent in communication, persuasion, collaboration and critical thinking. Having the aforementioned skills would enable internal auditors to deliver on internal audit engagements and drive improvements and innovation in institutions for whom they work (IIA, 2013:3).

4.12. CONCLUSION

This chapter considered the third objective of the study, that is, the regulatory and policy frameworks for the internal audit function and financial misconduct. The chapter began by describing the sections of the PFMA that deal with the internal audit function and financial misconduct, as these were the central themes of the study. These descriptions assisted the researcher in understanding the stipulations of the PFMA on the aforementioned themes. The Treasury Regulations: PFMA, which explain the application

of the PFMA, specifically on the internal audit function and financial misconduct, were also described.

The various statutes and policy frameworks, under the government's anti-corruption strategy, aimed at dealing with unethical conduct by public officials and promoting transparency, accountability and good governance were described. Proper implementation of these could play a critical role in curbing unethical acts in public institutions. It was also important to consider the position of the IIA on the internal auditing profession, as this is the organisation that provides standards of conduct, regulates such conduct and has authority on the profession. In this regard, the code of ethics for internal auditors was considered. The code of ethics aims to provide assurance that internal auditors will conduct themselves ethically and professionally when carrying out their work. Lastly, the core competencies of the internal audit profession were described. These are critical as they ensure that internal auditors deliver good quality audit outcomes.

CHAPTER FIVE

RESEARCH DESIGN AND METHODOLOGY

5.1. INTRODUCTION

This chapter addresses the fourth objective of the study (cf. section 1.4). Following the brief overview of the research design and methodology for the study that was provided in Chapter one of the study (cf. section 1.5), this chapter discusses these aspects in more detail. The research methodology discussed in this chapter guided the researcher on the design and methods to be followed in research. In this chapter, the focus of the research pertaining to the methodology employed is described. Qualitative research design and methodology are explained in detail, as the research methodology suitable to answer the research questions and address the objectives of the study. The data collection techniques employed in the research are explained and the case study approach as the chosen strategy of inquiry for the research is described.

The research methodology provided a basis for how the research questions had to be answered. The chapter will also consider the case study for the research, that is, SASSA. As highlighted in Chapter one of the study, the primary research question for the study was:

What are the necessary conditions under which the internal audit function at SASSA could be improved?

This question was answered through research undertaken in SASSA, as well as the review of literature, which was reported on in Chapters two and three of this thesis. Information about the institution on which the study was based is provided. This afforded the necessary context for the study, which is critical when a case study approach is used. An overview of the case and the reasons for selecting the institution as the case study for the research are also discussed. Furthermore, the limits of the study are explained to show how the boundaries for the research were delineated. Finally, the significance of the study to the discipline of Public Administration is described, indicating the contribution of this study to the discipline.

5.2. THE THREE WORLDS FRAMEWORK

Mouton (2001:138) posits that in order to describe and clarify research problems and other facets of the logic of research, researchers ought to employ a framework to which

Mouton referred as the “three worlds framework”. The framework describes three worlds as follows: world one: the world of everyday life, world two: the world of science, and world three: the world of meta-science. Figure 5.1 below embeds the study within the three worlds framework.

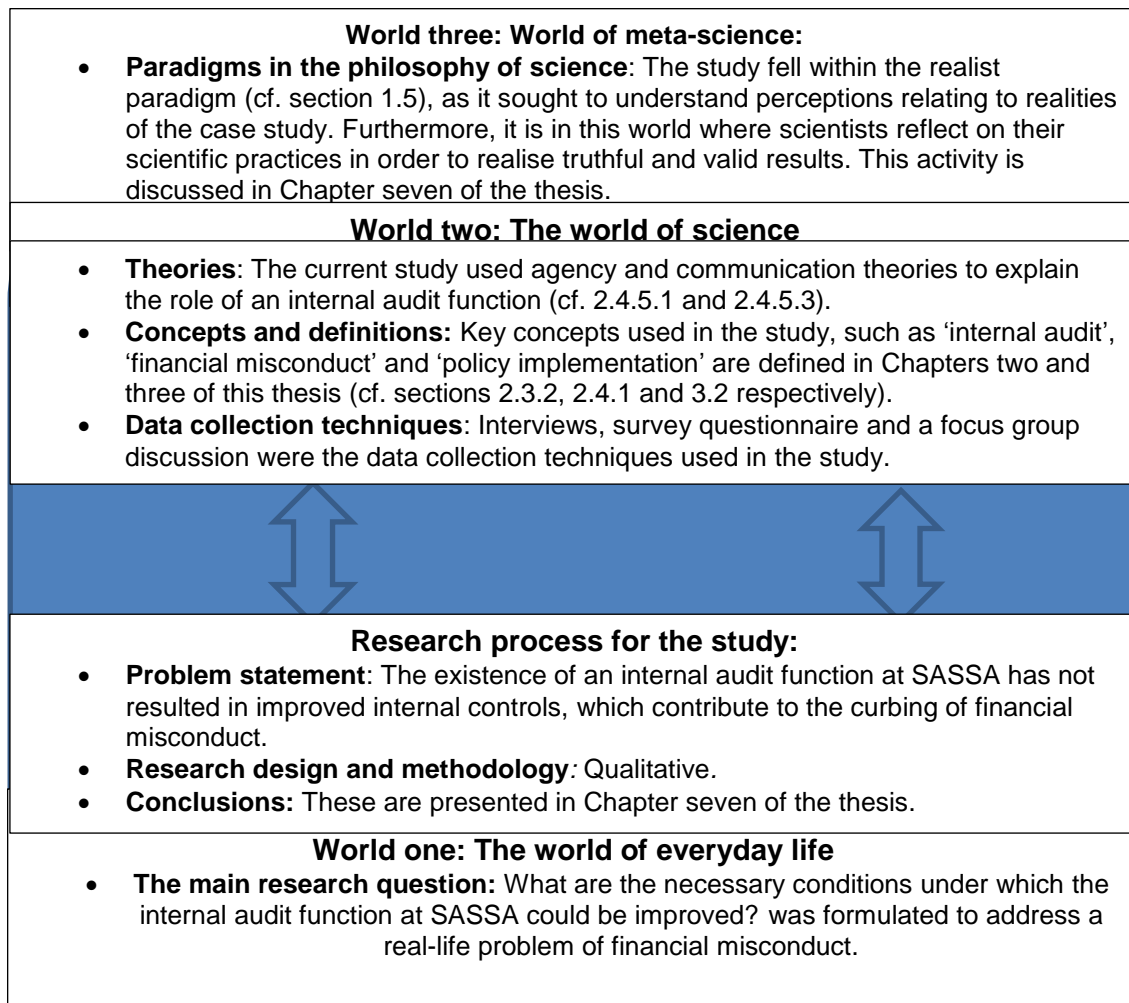


Figure 5.1: The relationship between the three worlds: meta-science, science and everyday life

Adapted from: Mouton (2001:140)

5.2.1. World one: the world of everyday life

Mouton (2001:137–138) explains that research problems are mainly framed in order to address real-life problems in the social and physical world. Therefore, the process of defining research problems or questions considers theories, which are used to solve real-life problems. Real-life problems are located within world one, as with the problem for this study, where knowledge reflected here is referred to as ‘lay knowledge’, which is knowledge used by people in everyday life. The main research question for the study was also formulated to address a real-life problem of financial misconduct, such as irregular expenditure (cf. section 2.4.1). In this regard, an internal audit function plays an advisory role to management in formulating recommendations for the establishment of internal controls that can prevent or reduce cases of financial misconduct. However, the resources to address the research question are not available in world one; these are found in world two, which is described below.

5.2.2. World two: the world of science

World two is where scientists select occurrences from world one and translate them into matters of inquiry. In this world, the epistemic imperative of science is explored, and scientists are motivated to endeavour constantly to produce reliable and truthful research (Mouton, 2001:138). The main research question for the study, which emanated from a real-life problem in world one, led to the scientific research that was carried out during this study, and this exercise was located within world two. This chapter describes the research methodology for the study, and this description will illustrate the scientific process and tools that the study followed in order to generate reliable and truthful findings.

5.2.3. World three: the world of meta-science

World three is where scientists critically reflect on science and scientific practices from world two. The process of critical reflection assists scientists to reflect on the research designs and methodologies they have used in their scientific inquiry (i.e. in world two) as was done in this study, in order to ascertain whether the findings of their inquiry are indeed reliable and truthful (Mouton, 2001:138–139). Healy and Perry (2000:120–122) emphasise that the quality of scientific research has to be judged in terms of the particular philosophical paradigm, within which the study falls, which in this case was the realist paradigm. In this regard, Healy and Perry developed criteria for assessing quality of research. These include methodological trustworthiness and ontological appropriateness. The latter criterion refers to research problems that aim to address complex social science

issues. Ontological appropriateness was demonstrated throughout the current study. The trustworthiness/credibility of the methodology that the study used is demonstrated in this chapter as well as in Chapter six of the thesis, where the data collection techniques are explained.

Rossouw (2003:180–181) examined the aspect of credibility in qualitative research. The author cites the measures that can be taken to ensure credibility, such as examining the phenomenon that is being studied under different circumstances, and triangulation. Eisenhardt (1989b:537–538) remarks that triangulation serves the purpose of providing a stronger substantiation of concepts. Similarly, several authors highlight that triangulation in social sciences is the mixing of data sources or methods of analysis when studying the same phenomenon in order to validate the results of the study (Jick, 1979:602; Olsen, 2004:3). Patton (1999:1192) concurs when stating that studies that use only one data collection technique are more vulnerable to errors associated with the single technique, for example, loaded interview questions and predisposed answers, compared to studies that use multiple techniques where different types of data provide opportunities for cross-data validity checks.

The form of triangulation applied in this study, was the within-method approach, which involves the use of multiple types of data collection techniques (cf. section 5.4.1) within the same research method, which in this case was qualitative research methodology (Jick, 1979:603). This assisted the researcher with cross-checking the data collected for internal consistency and trustworthiness. However, employing multiple data collection techniques can be expensive for researchers who have limited budgets, which is often the case.

The following section considers the epistemic imperative of research.

5.3. EPISTEMIC IMPERATIVE OF RESEARCH

Feldman (1988:245) defines ‘epistemic imperative’ as that which is true about a matter being investigated. This is important because science and scientific methods are subjected to reliability and validity or trustworthiness or authenticity requirements. Additionally, Remenyi, Pather and Klopper (2011:355) argue that the motivation for academic research is the epistemic imperative or the need to create new knowledge. Similarly, Taylor (2000:2) explains that the driving force behind research is to solve

problems in societies as well as to expand on knowledge that already exists. Johnson (2002:4) describes research as a methodical search for answers to questions that can be explored, investigated, examined or uncovered. Johnson (2002:4) further refers to research as a systematic process of gathering and interpreting data for decision-making purposes. It was envisaged that the findings of the current study as presented in Chapter six of the thesis, would contribute to the discipline of Public Administration and sub-field of public finance and specifically the implementation of an internal audit function within the framework of the PFMA.

Rossouw (2003:83) observes that research is simply a logical search for specific information about a precise, defined theme. In human sciences, the information that researchers may be looking for could be regarding opinions, arguments, data or solutions to practical problems, which may be found in various sources of information, for example, books or journals (Rossouw, 2003:83). Brynard and Hanekom (2006:2) state that research is a thought process on collected facts and data used to determine what the facts are, as well as the meaning of the data. The authors further argue that research includes the interpretation of data to reach a conclusion. Research, therefore, is a scientific investigation and study, in establishing facts to reach new conclusions (Rossouw, 2003:83).

The above explanations by various authors of what research entails all have commonalities in that they highlight that the goal of research is to arrive at some kind of decision or conclusion once the research has been completed, and ultimately contribute to knowledge. At an empirical level, the current study had to be able to answer its main research question, through data that had been collected at SASSA. Therefore, at an empirical level, the contribution of the study relates to a conceptual framework for internal audit effectiveness that was developed and is discussed in Chapter seven of the thesis. The data collection instrument that the researcher developed for the study, contributes at a scientific level, as other researchers can adapt the instrument and use it in their own studies.

Furthermore, at a theoretical level, the study mainly used agency theory to explain the role of an internal audit function. Agency theory emanates from the subject of economics, and has been used by scholars in subjects such as accounting, finance and sociology (Mitnick, 2013:2). The current study was thus embedded in a theory that does not

originate from Public Administration, but which has been borrowed from one discipline (Economics) to contribute to another discipline (Public Administration). However, the researcher acknowledges that other scholars in the discipline of Public Administration have used agency theory before. By way of example, in his article “Running government like a business: Implications for public administration theory and practice”, Box (1999:28) explains that agency theory, which explains the ‘principal-agent’ relationship, is especially applicable in the public sector. This is because agency theory is useful in explaining the relationship between politicians (principals) and officials (the politician’s agents), as in most instances it is difficult for the principals to know for sure what the agents are doing. This, Box argues, has led to public sectors in countries such as New Zealand changing their processes of hiring senior officials. Senior public officials are thus hired on a contract basis in order for their contracts to be terminated easily if they do not perform as expected (Box, 1999:28).

Similarly, Provan and Milward (2001:416) in their article titled, “Do networks really work? A framework for evaluating public-sector organizational networks”, used agency theory to explain the relationship between community-based networks who deliver different health services and the clients they seek to serve within communities. These networks are either public institutions or not-for-profit organisations (NPOs). Provan and Milward thus used agency theory in their study as a framework for the primary network constituent groups. The work done by the community-based networks within communities has to meet the expectations of those groups who fund their work and who are regarded as the principals in the relationship (Provan & Milward, 2001:417).

Although the current study was not the first in Public Administration to employ agency theory as a basis for explaining the principal–agent relationship, in this case, the study employed agency theory in a case study, which had not been done before. This aspect brings an element of originality in the use of the theory.

The next section considers the focus of the research and highlights the process of choosing the research design and methodology.

5.3.1. Macro research designs

Research design calls for the planning, structuring and execution of research, in complying with the demands of truth, objectivity and validity. It focuses on the process of

research and the decisions, which the researcher has to take to carry out the research project (Brynard & Hanekom, 1997:2). The role of research design is to guide the researcher in the process of collecting, analysing and interpreting observations. It is a logical model of proof that allows the researcher to draw conclusions that concern causal relationships among variables under investigation. Research design, therefore, seeks to answer the following questions (Yin, 2003:21):

- which questions to study or answer;
- which data is relevant and should be collected; and
- how to analyse the results.

McNabb (2002:81) suggests that research designs could be grouped into three broad categories: quantitative, qualitative and combined designs. For the current study, as informed by the research questions, a qualitative research design was selected. The choice of qualitative design was made based on the belief that the research questions for the current study could be answered best using a qualitative as opposed to a quantitative design (cf. section 5.4). Johnson (2002:2) remarks that research in Public Administration is meant to inform the political debate, as well as contribute to policy formulation and programme management. Decisions taken at every level of government have a significant and remarkable effect on the lives of citizens as well as their perceptions with regard to the effectiveness of government. As information in this domain aims to develop best policies, it becomes important for public officials to conduct research and engage in rational approaches to decision-making. The onus rests on public administrators to gather precise data objectively and to interpret the information in a way that will contribute positively to the previously mentioned political debate, policy formulation and most importantly, implementation (Johnson, 2002:2).

5.3.2. Basic and applied research

Kuye *et al.* (2002:3) differentiate between two types of research: basic research and applied research. Basic research is described as research that involves the conceptual construction of a research problem with theoretical models. Applied research is described as an application of the results of basic research. Applied research aims to solve real-life problems and provides information that can be useful. Kuye *et al.* (2002) further found that public administrators tend to use applied research in obtaining information that helps in the development of public policies as well as in measuring the performance of the policies. Basic research, on the other hand, is used to develop theories by testing a

hypothesis that has been presumed from theories. This kind of research is meant to increase knowledge in a specific field of study. Applied research, however, is carried out to solve an immediate problem (Kuye *et al.*, 2002:3). From the above, it can be seen that the current study reflected the attributes of applied research.

5.4. RESEARCH METHODOLOGY FOR THE STUDY

Denzin and Lincoln (1998:8) explain that in qualitative research, the emphasis is on processes and meanings that are not extensively studied or measured in terms of quantity, amount, intensity or frequency. A qualitative research methodology entails a close connection between the researcher and what is studied. It further has to consider the situational restraints. Taylor (2000:79) describes qualitative research methodology as involving the analysis of complex data that was collected through various techniques, including participant observation, interviews, survey questionnaires and examination of personal documents by the researcher. All the data collection techniques have one common basic objective, which is to understand the phenomenon that is being studied. In order to achieve qualitative study objectives, researchers analyse the interaction of people with problems or issues. The interactions are studied in their context and explained intuitively by the researcher (Taylor, 2000:80). The following are characteristics of qualitative research that distinguish it from quantitative research (McNabb, 2002:89):

- different theories that are at the core of the approach;
- various perspectives of participants;
- reflexivity of the researcher and of the research;
- diverse data collection techniques;
- reconstructing cases as a starting point;
- construction of reality as a basis for the research; and
- use of text as empirical data.

The main difference between qualitative and quantitative research methodologies, therefore, is that quantitative methodology is concerned with the relationships or interdependence of variables through tests and experiments (McNabb, 2002:89). Qualitative methodology looks at the object of study, namely the human being. Webb and Auriacombe (2006:597) found that qualitative researchers prefer to become absorbed with the object of study, which is humans and their behaviour.

The researcher can collect information from the object through various means, such as interviews and survey questionnaires, which are the data collecting techniques that were used in the current study.

5.4.1. Data collection techniques for the study

The point of departure of qualitative methodology is that in human sciences, the object of study is the human being. In-depth interviewing, participant observation, survey questionnaires and examination of personal documents are the data collection techniques used in qualitative research (Denzin & Lincoln, 1998:8).

The research design and methodology dictate the data collection techniques that are used in research. From the aforementioned data collection techniques available under the qualitative research methodology, the five that have been chosen for the study were review of literature, document analysis, interviews, a survey questionnaire with open-ended questions and a focus group discussion. These are discussed below.

5.4.1.1. Review of relevant literature

Literature on internal auditing, financial misconduct and public policy implementation was reviewed and reported on in Chapters two and three of the thesis. This was an important part of the study as the success of research depends on a well-planned and thorough review of literature. According to Singleton, Straits and Straits (1993:354), literature is studied for the following reasons:

- to get perspectives on the most current literature connected to the topic of the research;
- to understand the best methods and tools for measurement;
- to develop the interpretation of research findings; and
- to support the establishment of the facts of research on a particular topic.

When reviewing literature, data can be obtained easily as the information is in writing. On the other hand, reviewing a large number of books – as in the case of this study – can be time-consuming. Furthermore, in most instances, the information was not first-hand data as would have been the case with techniques such as interviewing.

5.4.1.1.1. Identifying insights/themes emerging from literature

Vafaei and Christopher (2014:3) posit that identifying insights or themes emerging from literature follows a critical analysis that involves an examination of theory–practice gaps in the areas being examined. Moreover, the use of emerging themes from scholarly publications is a research methodology that is applied by a growing number of researchers as a valuable addition to the increase in published research. Essentially, the process of identifying theory–practice gaps entails ascertaining themes from literature, and comparing those to actual implementation, that is, examining whether implementation is in line with literature suggestions (Vafaei and Christopher, 2014:3). To this end and for the purpose of this study, the insights and themes that emerged from the literature were used to identify the practice gaps identified in SASSA (cf. section 6.4).

5.4.1.1.2. Document analysis

Bowen (2009:27) describes document analysis, as a methodical process for going through documents, be it printed or electronic. Bowen further points out that, when document analysis is considered, the data should be interpreted in an effort to derive meaning and understanding as well as to develop empirical knowledge. On the other hand, Patton (1999:1192) cites that a combination of data collection techniques, such as interviews and document analysis, is ideal, as this is part of triangulation (cf. section 5.2.3). In this regard, documents that provided further context on SASSA's internal audit function, such as the Agency's internal audit plan, were considered in the study.

5.4.1.2. Interviews

Rossouw (2003:143) defines an interview as a conversation between the researcher and the participant or participants, with the objective of gathering information about a topic that is being studied. Interviews are considered a flexible research technique because the interviewer is able to have personal contact with the interviewee. In addition, responses can be obtained immediately in an interview. Interviewing gives the researcher an opportunity to explain something instantaneously to the interviewee if there is any misunderstanding in the questions. The researcher also has an opportunity to inquire further, following a response from an interviewee (Brynard & Hanekom, 2006:40). The main setback about interviews is that they are time-consuming and expensive to conduct. There is also a possibility that interviewees may not be comfortable in committing themselves to telling the truth. However, interviews are effective in getting interviewees' opinions on the matter being studied (Hult, 1995:69).

Despite the disadvantages of interviews, the researcher can attest to the flexibility of interviews, and that one is able to clarify any misunderstanding in the questions with the interviewees immediately. Interviewing was selected for the current study as one of the techniques for collecting data from the senior managers at SASSA because the researcher deemed it appropriate to have one-on-one interviews with the senior managers. Interviews would afford the researcher an opportunity to explain and clarify any questions that the senior managers may have had. The senior managers were also key personnel in the implementation of the PFMA. The interviews conducted for this study provided insightful data, as presented in Chapter six of the study (cf. section 6.3.5).

One-on-one interviews were conducted with senior managers at the SASSA head office as well as at the Gauteng regional office, as identified by the General Manager: Finance as well as the General Manager: Internal Audit, at the SASSA head office. The list of the senior managers who were interviewed are attached as Appendices six and eight. The discussion on the sampling technique and the way participants who participated in the interviews were selected are presented below. The literature review and relevant empirical documents formed the basis on which the questions for the interviews were conceptualised.

5.4.1.3. Survey questionnaires

A survey questionnaire, which comprised open-ended questions, was another data-collection technique deployed in this study because of its flexibility in giving respondents sufficient time to think about the answers to the questions (Hult, 1995:66). The flexibility that questionnaires afford is the reason the data collection technique was chosen and developed for junior managers in SASSA's internal audit department at the head office in Pretoria. As with the interview schedule, relevant empirical documents and literature formed the basis on which the questions for the survey questionnaire were conceptualised.

The list of the survey questionnaire respondents is presented as Appendix 10 below. The researcher experienced continuous challenges, especially having to make several follow-ups to get responses. This resulted in the use of the questionnaire being costlier as compared to the interviews.

When survey questionnaires are utilised, the researcher has to explain to the respondents what is expected from them. Respondents have time to think through the questions and answers, and a large number of respondents can be reached. The researcher is nonetheless unable to explain any vagueness that respondents may experience with regard to the questions, as the researcher is not present when respondents complete survey questionnaires, and this may result in biased answers. In an effort to address possible issues of vagueness in the questions, the survey questionnaire was first tested in a pilot survey. The University of Surrey (2001:1) emphasises that one of the advantages of conducting a pilot study is that it could provide the researcher with insights on whether the data collecting instrument is inappropriate or too complicated. In this study, feedback was sought from the pilot study respondents on their experiences while responding to the survey questionnaire as well as their suggestions on how the survey questionnaire could be improved. The feedback was valuable, and was incorporated into the final survey questionnaire.

5.4.1.4. Focus group discussions

In terms of operationalisation of the data collection techniques, the interviews and the survey questionnaire were implemented first. A focus group discussion was subsequently held with members of the Supply Chain Management (SCM) department. The objective of the focus group discussion was to get a deeper understanding with regard to the influence of the work (audits conducted) of the internal audit function on the SCM department, following audits on the main identified risk of fraud. It must also be noted that supply chain management was identified as an area of institutional risk at SASSA (cf. Table 6.1). McLafferty (2004:187) describes a focus group discussion as the use of a semi-structured group session, moderated by a leader, in an informal setting, of which the objective is to understand the participants' attitudes and opinions on various social issues. In a similar line of thought, Freeman (2006:491) refers to focus group discussions as a data collection technique that is used in qualitative methodology to provide a deep understanding of the participants' lived experiences and perspectives within their context.

The population of the study as well the sampling methodology that was followed are explained below.

5.5. THE POPULATION AND SAMPLING METHODOLOGY FOR THE STUDY

Several authors define sampling as a technique that is deployed to select a small group for purposes of determining the characteristics of a larger group, that is, the population (Rossouw, 2003:108; Brynard & Hanekom, 2006:54). In this regard, if the sample is selected carefully, the probability of it having the same characteristics or properties as the larger group are high. The authors further emphasise that sampling is used to (cf. Rossouw, 2003:107):

- Simplify research – studying a representative sample of a population is easier than studying the entire population.
- Save time – when the entire population is studied, this would need to happen over a long period of time, especially if the population is found in various geographical areas. The internal audit function at SASSA is responsible for providing value-adding auditing services to the Agency's nine regional offices (a regional office in each province in the country) (SASSA, 2016:22). This implies that all the regional offices in the country are clients of the Agency's internal audit function, and if the current study did not make use of sampling, the study would have taken place over a long period.
- Cut costs – data collection techniques such as survey questionnaire, interviews and observations can be costly if data is collected from an entire population.

Ritchie and Lewis (2003:77–78) suggest that in social research, a key difference is found between probability and non-probability samples. Probability sampling is regarded as the most rigorous type and is used for statistical research; therefore, it is inappropriate for a qualitative study. Non-probability sampling is thus used in selecting the population for qualitative research. The units of a non-probability sample are purposefully chosen to reflect certain features within the sampled population, thus the intention is not to have a statistically representative sample (Ritchie & Lewis, 2003:77–78). Rossouw (2003:113) confirms this view and states that non-probability samples are used in qualitative research, while statistical analysis, representation and generalisation are not used. The characteristics of the population are thus the criteria for selection (Ritchie & Lewis, 2003:77–78).

Mays and Pope (1995:109) further suggest that the purpose of a non-probability sample is to identify specific groups who either possess characteristics or live in circumstances relevant to the social phenomenon being studied, and not to establish a random or

representative sample. In the current study, interviews were conducted with senior managers in the internal audit department as well as in areas in the Agency, which were identified as strategic high-risk areas. The strategic high-risk areas, such as the SCM and payroll departments are audited often; therefore, it was deemed appropriate to interview the senior managers in these areas in order to get their views on the service that they receive from the function.

The survey questionnaire, with open-ended questions to suit the qualitative methodology, was completed by junior managers in the internal audit department at the head office of the Agency in Pretoria. A team of 23 officials (cf. Appendix 16) services all SASSA's operations in the nine regional offices across the country. The senior and junior managers in the internal audit function in SASSA were chosen because they were all responsible for carrying out internal audit services in line with the PFMA at the time of this research. The reasons for deeming it necessary to have both levels of management in the population for the sample will be explained in detail below. The sampling method deployed in the study was criterion-based, also called purposive sampling. In criterion-based or purposive sampling, the sample is chosen based on existing knowledge of the population (Rossouw, 2003:133). The selection of the population for the study is purposive, and the population for the sample is chosen because of particular characteristics that they possess, which will enable the researcher to understand the central themes that are being studied (Ritchie & Lewis, 2003:77–78).

The characteristics, which a researcher uses as a basis for choosing the sample in criterion-based or purposive sampling, may refer to things such as socio-demographic characteristics, behaviours or positions that the individuals occupy. There are thus two main aims. Firstly, the researcher must ensure that all the key individuals who are relevant to the subject being studied are covered. Secondly, the researcher must make sure that within each of the key criteria, some diversity is included in order to allow for the influence of differences in aspects such as positions occupied by the population of the sample to be explored (Ritchie & Lewis, 2003:79). The sample for the current study comprised junior and senior managers, in order to provide for the diversity in responses by the two levels of management as referred to above.

There are various approaches in purposive sampling aimed at producing different types of sample compositions, depending on the aims of the study. Some of these are

homogeneous samples, which are chosen to give a detailed picture of a particular phenomenon, for example individuals belonging to the same sub-culture or those who have the same characteristics, in order for a detailed investigation of a social process to take place. Another approach is to use a heterogeneous sample, which deliberately includes phenomena that are vastly different. The aim is to identify central themes that can be found amongst the different cases or people. In the current study, stratified purposive sampling was the strategy that was used. This is an approach in which groups of people who exhibit a difference in terms of a particular phenomenon are selected and each group remains homogeneous. This allows the sub-groups to be compared (Ritchie & Lewis, 2003:79, Rossouw, 2003:112).

The senior and junior managers at SASSA are a homogeneous group in that they are all managers, although they are differentiated in terms of their levels of management. The different levels of management are necessary as this provides some level of diversity within the homogeneous group, which is important for purposes of observing and comparing the perceptions of the groups. Furthermore, the junior and senior managers were chosen in order for the researcher to obtain views from two diverse groups of management, as well as to assess any divergence in the answers that were provided by the two levels of management on the same questions.

5.6. CASE STUDY APPROACH AS A STRATEGY OF INQUIRY IN QUALITATIVE RESEARCH

Baharein and Noor (2008:1602) explain that the choice of a research method in a study is dependent on the research problem or research question, and that the appropriateness of a research method stems from the nature of the social phenomenon to be studied. The main research question for this study was:

What are the necessary conditions under which the internal audit function at SASSA could be improved?

In contextualising the approach that was adopted in the study, Baharein and Noor (2008:1602) remark that a case study refers to an event, an entity, an individual or unit of analysis. Such practical inquiry involves investigating a phenomenon in its real-life context and making use of multiple sources of evidence (Baharein & Noor, 2008:1602).

McNabb (2002:286) further refers to a case study as a depiction of a management situation based on interviews, archives, naturalistic observations and other data created to be sensitive to the context within which management behaviour takes place. These are characteristics shared by all cases. A case study therefore, examines present-day occurrences in a real-life framework. Yin (2003:12) refers to a case study as a strategy of inquiry that tries to clarify a decision or a set of decisions, the way the decision was taken, how it was implemented, as well as the results or outcome(s) of the decision. Yin further explains that a case study is an observed investigation of a current occurrence within its actual situation, especially when the limitations between occurrence and the situation are not evident (Yin, 2003:12).

Poryman (2001:275) describes a case study as an exploration of a system bounded by time or place. McNabb (2002:287) explains further that a case study is deemed a suitable strategy of inquiry when it involves remarkable successes or failures of the particular problem that is being researched. Gomm, Hammersley and Foster (2000:234) state that one way of conceptualising the value of a case study is to uncover the processes linking inputs and outputs within a system. This was one of the justifications for having chosen a case study approach for the current study. The subject that was chosen as a case pointed out some core problems and signified solutions to the problem. SASSA, being the case study for this research, had to point to challenges and/or successes that existed in the implementation of the internal audit section of the PFMA.

Case studies are not aimed at studying entire institutions but focus on a particular issue or feature within the case, in order for the researcher to understand the issue that is being studied in depth. The basic justification for a case study is that there are procedures and connections, which cannot be studied effectively other than when they act together and function within the entity itself. If one learns how these processes interrelate in one person or institution, you may come to know more about how the processes as factors themselves function, and relate what a researcher has learned to other types of persons or institutions that are similar (Poryman, 2001:275). Single-case study was the type of case study deployed in this study, and this is described below.

5.6.1. Components of Case Study Research Methodology

When a case study is deployed as a strategy of inquiry, the following are important components to consider (Yin, 2003:21):

- questions for the study;
- the intentions of the study;
- the units of analysis;
- the logic that links the data to the intentions; as well as
- the criteria for interpreting the findings.

These components are important in guiding the researcher to gather the relevant data that will assist in answering the research question(s), address the study objectives, draw conclusions and make recommendations at the end of the research. Each of the above components is discussed briefly.

5.6.1.1. Study questions

Research that uses case studies as a strategy of inquiry is mostly able to answer questions that ask 'how' and 'why'. The most important task, therefore, is to clarify accurately the nature of the study question (Yin, 2003:21). The research question for this study was empirical and was based on a real-life problem (cf. Figure 5.1), and it could best be answered through the case study approach.

5.6.1.2. Intention of study

The main objective of the study was to establish the necessary conditions under which the internal audit function at SASSA could be improved. The intention of a study was derived from the research question(s). Coming up with an intention for the study, provided the researcher with direction on what should be studied (Yin, 2003:21). The intention of this study was to gain insights from SASSA on their implementation of the PFMA, with a specific focus on the Agency's internal audit function, and its role in making recommendations for the institution in terms of internal controls.

5.6.1.3. Unit of analysis for the study: the PFMA

A unit of analysis is essentially the entity or object that is the subject of analysis in a study, the 'what' or 'whom' of a study (Yin, 2003:24). Yin (1994:2) further suggests that a unit of analysis is the actual source of information, for example, an individual or institutional documentation, such as the PFMA. There are two types of units of analysis: holistic designs and embedded designs. Holistic designs refer to a single unit of analysis, whereas embedded designs consist of multiple units of analysis (Yin, 1994:3). In this study, the unit of analysis was the sections of the PFMA that contains provisions for the

implementation of internal audit functions in public entities such as SASSA, which falls under holistic designs.

5.6.1.4. Linking data to propositions and criteria for interpreting the findings

Interpretation of data collected as well as the criteria for interpretation is described in Chapter six of the thesis. Yin (2003:27) comments that data that is collected should be related to the intentions or propositions of the research, and should assist the researcher in achieving the research objective and in answering the research questions. Furthermore, the researcher should have standards for interpreting the findings observed in the data. This allow conclusions to be reached from the evidence in the data, ultimately contributing to knowledge, as presented in Chapter seven of the thesis.

5.6.2. Single-case studies

In capturing the circumstances and conditions of an everyday situation, the so-called 'typical cases', the single-case approach can be used. Yin (2003:42) refers to the single-case study as a revelatory case, where the researcher has an opportunity to observe and analyse an occurrence that was previously not accessible to scientific study. The single-case study can also be used for a longitudinal study, which involves studying the same single case at two or more different times. Single-case studies need a careful examination of the case in order to minimise chances of misrepresentation, as well as maximising access in collecting case study evidence (Yin, 2003:42).

5.6.3. Strengths and weaknesses of using the case study method

The main criticism against the use of the case study design is that it lacks scientific rigour and reliability, and that the issues of generalising are not addressed by the method. Webb and Auriacombe (2006:600) argue that the study of a small number of cases offers no grounds for reliability or generalisation. These authors then add that, because of researchers being severely exposed to the study of a case, the findings might be biased. However, case studies have been used successfully in instances where studies are carefully planned, and where the aim is to address real-life problems, such as this study. Additionally, if common themes emerge from research findings in multiple cases, i.e. three or four, this could enhance confidence in the overall results (Eisenhardt, 1989b:541). The case study design also allows for a holistic view of the issue that is being studied, as many sources of information are used (Baharein & Noor, 2008:1603).

5.6.4. Overview of SASSA

The South African Social Security Agency Act (Act No. 9 of 2004) (RSA, 2004d), hereinafter referred to as the SASSA Act, which came into effect in May 2004, provides for the establishment of SASSA as a schedule 3A public entity in terms of the PFMA (RSA, 1999a:74). The main aim of the SASSA Act is to make provision for the effective management, administration and payment of social assistance and services through the establishment of SASSA (RSA, 2004d:2). SASSA was thus established in April 2005 in accordance with the Social Assistance Act (Act No. 13 of 2004) (RSA, 2004c), hereinafter referred to as the Social Assistance Act. The Act establishes a national legislative framework for the delivery of various types of social grants, social relief of distress, the delivery of social assistance grants by a national agency, and the establishment of an inspectorate for social security (RSA, 2004c:5). The South African Social Security Agency was selected as the case study for the research as it represents a significant quantum of the budget of the DSD, and because of the importance of the work that the Agency does (cf. section 1.2). The Agency administers the application, approval and payment of social grants on behalf of the DSD.

The work done by SASSA is therefore very important to the South African population. The South African Institute for Race Relations (SAIRR) (2012:1) observed that overall, social grant beneficiaries had increased by 333% since 2001. The ODI (2011:3) reports that South Africa had the largest and best-developed social security system in Africa, with social grants alone reaching 28% of the population. This percentage has since increased as noted by SASSA (2017:24), and is reported at 31% of the population or 17.2 million beneficiaries. Furthermore, the budgeted amount for social grants for the 2017/18 financial year is reported at R178 billion, which represents 3.2% of the GDP (National Treasury, 2018:62). Social grants therefore comprise one element of a comprehensive approach to poverty and inequality alleviation by the South African government (ODI, 2011:3). Given the background explained above, the importance of the work done by SASSA cannot be discounted and the current study sought to make a contribution that would improve the implementation of an internal audit function at the Agency.

The following section lists and describes other statutes that direct the work done by SASSA, over and above the Social Assistance Act and the SASSA Act.

5.6.4.1. Policy framework for the implementation of the SASSA mandate

A number of Acts of Parliament, some of which are described briefly below mandates the work done by SASSA (SASSA, 2014:15):

5.6.4.1.1. Constitution (1996)

Section 27 of the Constitution of 1996 affords every South African citizen the right to have access to social security, including when the person is not able to support him- or herself and his or her dependents. A person can receive the appropriate social assistance from the state, subject to the availability of resources (RSA, 1996:11).

5.6.4.1.2. Children's Act (Act No. 38 of 2005)

The objective of the Children's Act is to promote the protection and support of families to ensure children's constitutional rights to family, parental or appropriate alternative care when removed from the family environment, as well as ensuring children are a primary concern in all relevant matters (RSA, 2005:1).

5.6.4.1.3. Public Finance Management Act (PFMA) (Act No. 1 of 1999)

The PFMA makes provision for the regulation of the financial management of national and provincial governments to ensure effective and efficient administration of revenue, expenditure, assets and liabilities, and to secure transparency, accountability and sound management (RSA, 1999a:1). The public funds made available to SASSA should thus be managed in accordance with the PFMA.

The following section considers the vision, mission and strategy of SASSA.

5.6.4.2. SASSA's vision, mission and strategy

The sections below briefly explain the vision, mission and strategy of SASSA in order to provide a context against which the Agency seeks to achieve its objective and how it plans to do this.

5.6.4.2.1. Vision

The vision of SASSA is to lead in the delivery of social security services (SASSA, 2017:17).

5.6.4.2.2. Mission

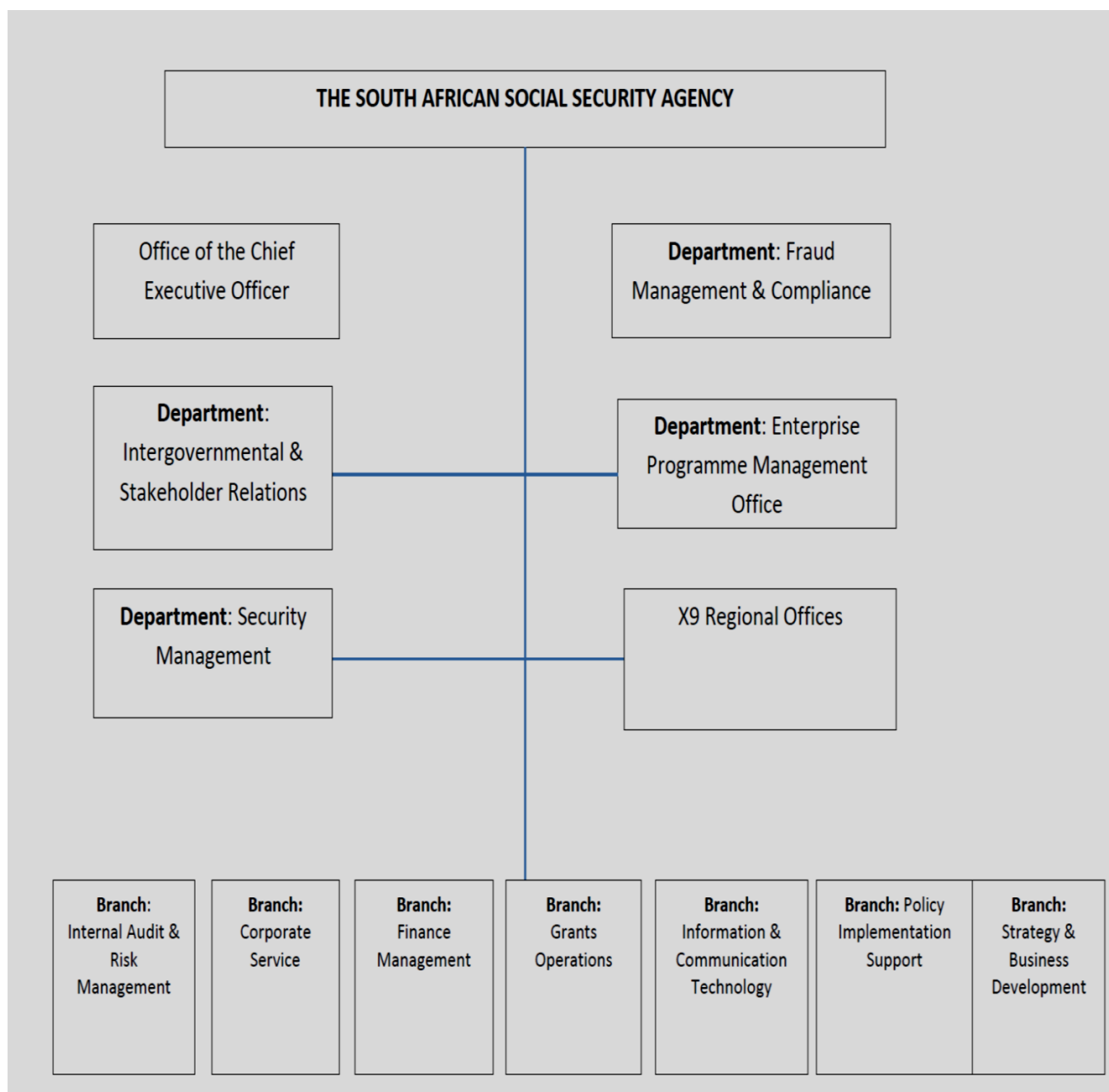
The mission of SASSA is to administer quality social security services to suitable and potential beneficiaries (SASSA, 2017:17).

5.6.4.2.3. Strategy

The main objective of the Agency is to build a high-performance institution that establishes itself through compliance with good governance principles, while aiming for operational excellence through continuous service delivery improvements to beneficiaries. The strategic themes of the Agency are ensuring a high-performance institution, service delivery improvement, good governance, building human capital, and sound financial management (SASSA, 2010:13).

The Agency's processes around these strategic themes were tested during the empirical part of the study, as reported in Chapter six of the thesis.

Figure 5.2 below illustrates the organisational structure of SASSA and provides a picture of the various branches within the Agency, including the internal audit function.



Note: X9 = Regional offices in each of the nine provinces in South Africa.

Figure 5.2: SASSA's Organisational Structure

Source: SASSA (2016:22)

5.6.4.3. Overview of the structure of SASSA

As depicted in Figure 5.2 above, SASSA comprises the office of the CEO and seven branches. There are nine regional offices established to manage social security and provide support to service delivery departments. A description of each branch as well as the departments that were relevant to the study follows (SASSA, 2014:13–14; 2016:22):

5.6.4.3.1. Internal audit and risk management

The internal audit and risk management branch was the focus area of the study. The branch provides internal audit and risk management services within the Agency, and its strategic objective is to promote good governance in the administration of SASSA. SASSA (2015:3–4) asserts that the responsibilities of the internal audit function in the Agency are:

- firstly, improving governance processes, amongst others –
 - promoting an ethical culture and values of the Agency; and
 - effectively communicating risk and control information in the institution.
- secondly, assisting the Agency in identifying, evaluating and assessing risks and risk management processes for efficiency and effectiveness;
- thirdly, the internal audit function is responsible for evaluating whether controls, on which the Agency relies to manage risks to acceptable levels, are adequate and working as intended;
- in addition, the function has to propose recommendations to improve the said controls.

In its work of ensuring that there are adequate controls, the internal audit function works with various departments within the Agency as depicted in Figure 5.3 below. The Fraud and Compliance department is responsible for implementing the Agency's fraud prevention plan, through fraud awareness campaigns that focus on training officials on fraud prevention. The Financial Misconduct Board (see SASSA, 2016:14) is a governance structure, which was created to investigate cases of financial misconduct, and take appropriate action against those found guilty of financial misconduct. The Risk Management department falls within the same branch as the internal audit function, and it together with the internal audit function report to the audit committee of the Agency. The Risk Management function is responsible for co-ordinating the process of risk identification, and ensuring that new and emerging risks are recorded in the risk register of the Agency (SASSA, 2016:52–55). The risks that are recorded in the risk register are

those that appear on the Agency's internal audit plan (cf. Table 6.1). The internal audit function is thus responsible for evaluating internal controls pertaining to these risks, determining the effectiveness and efficiency of these controls, thereafter developing recommendations for enhancement or improvement. Figure 5.3 below was constructed by the researcher to illustrate the stakeholders to the internal audit function described above.

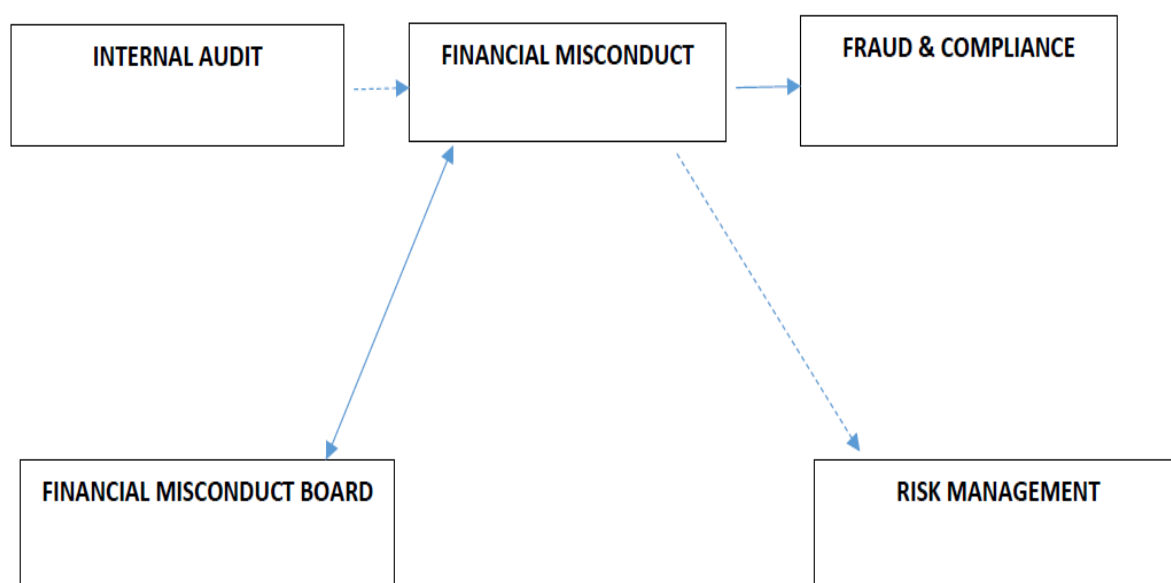


Figure 5.3: Internal stakeholders to internal audit function

Source: SASSA (2016: 52–55)

5.6.4.3.2. Corporate services

This branch provides corporate services to the Agency, including the management and development of human capital, auxiliary support services, legal services, communications and marketing services.

5.6.4.3.3. Financial management

This branch provides financial management services, such as management accounting and systems, financial accounting and supply chain management.

5.6.4.3.4. Information and communication technology (ICT)

This branch provides ICT services, such as information management, enterprise architecture, business solutions development and ICT operations management in the Agency.

5.6.4.3.5. Grants operations

This branch provides grants administration services to beneficiaries, including disability management, operations management, customer care, beneficiary maintenance, payments and contract management with external service providers who administer grant payments on behalf of the Agency.

5.6.4.3.6. Policy implementation support

The policy implementation support branch is responsible for developing systems and procedures as well as for providing training that supports grant administration processes.

5.6.4.3.7. Strategy and business development

This branch develops, researches, supports and provides strategic advice on innovative strategies, programmes and mechanisms to improve social security administration, service delivery and institutional performance (SASSA, 2014:13–14; 2016:22–40).

The next section considers the limitations of the study, i.e. what the study could not do.

5.7. LIMITATIONS OF THE STUDY

The case study for the research was SASSA, a public entity reporting to the Minister of Social Development. SASSA is tasked with distributing and paying social grants in South Africa. The current study and research were limited to SASSA in answering the research questions and achieving the objectives of the study. While the PFMA is applicable to national and provincial government departments as well as public entities listed in Schedules 2 and 3 of the PFMA, it was not possible to consider the necessary conditions under which an internal audit function could play an advisory role to management for the institution of internal controls in all these institutions. Furthermore, an internal audit function has dealings with all areas of an institution. It was also not possible to interview all SASSA employees to get their views on the internal audit function of the Agency. It is also important to highlight the fact that findings of case studies, as was the case in this study, cannot be generalised to other settings. This shortcoming is more prevalent when

it comes to single-case studies, as opposed to multiple-case studies, as the latter allow researchers to generalise from common themes that emerge from the various cases, and the former do not (Eisenhardt, 1989b:540). Evers and Wu (2006:524) remind us that the ability to generalise reasonably from single-case studies is an intricate matter. In addition, Flyvbjerg (2006:224) highlights that the fact that it may not be possible to generalise from single-case studies is viewed by some as a major setback to case studies as a scientific methodology. However, Flyvbjerg (2006:227) also says the fact that knowledge may not be strictly generalised does not mean it cannot be part of the shared process of knowledge accumulation in a particular field or social order.

The next section discusses the significance of the study, the beneficiaries of the study and how they will benefit.

5.8. SIGNIFICANCE OF THE STUDY

Lovitts and Wert (2009:5) describe a significant contribution to knowledge as that which is useful and will make an impact, because such knowledge:

- offers an important breakthrough at empirical, conceptual, theoretical or policy level;
- results in people seeing things differently;
- influences conversation, research and teaching; and
- has implications for and advances the field, the discipline, other disciplines and/or society.

The current study, therefore, was significant because of the importance of an internal audit function in advancing good governance, which is important to all the citizens of a country. Improved accountability by government institutions and the curbing of irregular and wasteful expenditure would also benefit all citizens. Bekker (2009:4) states that the most important role of a government is to manage public funds efficiently and effectively and above all to spend the funds on programmes that have been agreed upon.

The findings of the current study will make an important contribution, as it will demonstrate the role that an internal audit function should play in ensuring that there are adequate internal controls, which ensure the effective and efficient management of public finances. It is believed that the effective and efficient management of public finances should be one of the top priorities for post-apartheid administration in South Africa. This is even more

important as government has to provide services to the entire population, as opposed to the former apartheid government, which concentrated its efforts on a small group of individuals. Ensuring that there is no wastage of public resources through corrupt activities, which may include irregular expenditure, therefore, is important. The work done by SASSA, the institution on which the current research was based, is also important to poor South African citizens. The findings of the study will thus contribute to the work of one of the most important institutions in South Africa.

Even though the research findings of one case study cannot be generalised, it was envisaged that this study would recommend amendments to the PFMA, and thus have an influence on all public institutions to which the Act applies. Consequently, it was believed that the research would meet the requirements of a significant contribution to knowledge as applied to practice. Furthermore, the study contributes at theoretical and conceptual levels, as discussed in Chapter seven of the thesis (cf. section 7.5). The beneficiaries of the research will be SASSA, all other public institutions to which the PFMA applies, as well as scholars of public finance. These stakeholders will benefit from the recommendations drawn from the findings of the study, as presented in Chapter seven.

5.9. CONCLUSION

This chapter addressed the fourth objective of the study (cf. section 1.4) and focused on the research methodology applicable to the study, as well as the case study for the research. The study made use of the qualitative research methodology, as this was deemed appropriate in addressing the research problem and questions. Within the qualitative research methodology, there are various traditions of inquiry that can be used, and the case study approach was found to be a suitable approach for answering the research questions and addressing the objectives of the study. The case study type deployed here was the single-case study approach.

Furthermore, an overview of SASSA as the chosen case study for the research was provided, and it emphasised the importance of the work done by the Agency in providing social assistance to 31% of South Africa's population. The reasons why SASSA was deemed an appropriate institution in which to locate the research questions for the study were explained. The reasons included that the work done by the Agency in distributing and paying social grants to the South African population makes it important for the internal audit function of the to comply with the requirements of the PFMA. This is because the

PFMA requires internal audit functions to make recommendations for the institution of internal controls in order to curb malfeasance, such as irregular expenditure, amongst other things.

The significance of this study was also pointed out in terms of the case study on which the research was based as well as the public service at large. The limitations of the study were acknowledged. Among others, these pointed to the fact that while the PFMA is applicable to all national and provincial government departments as well as public entities listed in Schedules 2 and 3 of the PFMA, it was not possible to consider the necessary conditions under which an internal audit function could play an advisory role to management for the establishment of internal controls, in all the institutions. In addition, as this study deployed the single-case study approach, it was emphasised that this approach has shortcomings. The shortcomings point to the fact that the findings of case studies, especially single cases, cannot be generalised to other settings. Lastly, the various stakeholders who will find the study valuable were highlighted.

CHAPTER SIX

RESEARCH RESULTS: DATA ANALYSIS AND INTERPRETATION

6.1. INTRODUCTION

In this chapter, the fifth objective of the study is considered (cf. section 1.4). The data collected through interviews and a survey questionnaire comprising open-ended questions, which represented perceptions and views of selected SASSA employees (cf. section 5.5) on the Agency's internal audit function, was analysed and interpreted and are reflected here.

The second section of the chapter considers the themes that were identified from the interviews, the survey data and other secondary sources of information in relation to themes from the literature on policy implementation, internal auditing and financial misconduct, which the researcher reviewed. This consideration also reflects the identification of any theory–practice gaps. In addition, there is information/data the researcher had to request from SASSA in writing, which was relevant for the study. This information (inter alia on financial misconduct cases and training schedules) had to be requested in writing because not all SASSA employees are privy to it. This information could therefore not be included in the survey questionnaire or interview schedule.

6.2. ADMINISTRATION OF FIELD WORK

For purposes of answering the research questions and achieving the objectives of the study, five data sets were administered:

- Firstly, one-on-one personal interviews were conducted with three out of five senior internal audit managers at the head office of SASSA in Pretoria.
- Secondly, interviews were held with ten other senior managers in areas that have been identified as strategic high-risk areas at the head office of SASSA, as well as at the Gauteng regional office in Johannesburg, covering SASSA operations in Gauteng. On average, the duration of each interview was 1.5 hours. Thus, in total 19.5 hours were spent on the interviews.
- Thirdly, junior internal audit managers, who were based at the head office of SASSA at the time of this research, completed survey questionnaires that constituted open-ended questions.

- Fourthly, a focus group discussion was held with members of the SCM department. The objective of the focus group discussion was to get a better understanding of the effect that the work of the internal audit function had on the SCM department, following audits on the top-ranked risk of possible manipulation of SCM processes and PFMA prescripts by corrupt SASSA officials, which may unfairly benefit certain suppliers (cf. Table 6.1). The literature review and relevant empirical documents formed the basis on which the questions for both interviews and survey questionnaires and the focus group discussion were conceptualised.
- Lastly, document analysis (cf. section 5.4.1.1.2) was considered, and relevant documents pertaining to the internal audit function in SASSA, such as the internal audit plan and annual reports, were analysed.

The next section considers the process of data analysis and interpretation.

6.3. PROCESS OF DATA ANALYSIS AND INTERPRETATION

Ritchie and Lewis (2003:203) observe that labels and categories could be used to organise and analyse qualitative data in two ways: firstly, in cross-sectional code and retrieve methods and, secondly, in an *in situ* non-cross-sectional method. In cross-sectional code and retrieve methods, the researcher uses a common system of categories, which are applied manually or with a computer, across the entire data set. This approach provides a systematic overview of the scope of data, to assist in finding themes or examples, which do not appear in an orderly manner in the data, as well as in obtaining insight into the data to make comparisons and/or connections.

Non-cross-sectional data organisation and analysis, on the other hand, involves looking at parts of the data that are being analysed individually. This approach is considered better when compared to cross-sectional data analysis as it provides the researcher with an opportunity to achieve a sense of uniqueness in individual sections of the data being analysed. The researcher is able to understand complex narratives or processes or to organise data around themes, which do not appear in all parts of the data, as well as to identify overall structures within each case or interview. Ritchie and Lewis (2003:203) state that this approach is especially appropriate in analysing data for case studies, narratives and biographies, amongst others. Non-cross-sectional data analysis therefore, is the method that was used to organise and analyse the data collected at SASSA for the study. In analysing the data from both the interviews and survey questionnaire, themes were sought on the answers provided by the respondents on each of the open-ended

questions, using the qualitative data analysis software ATLAS.ti.

Rossouw (2003:155) suggests that once data has been collected, the next phase is processing of the information and experiences of fieldwork. This includes analysing, contextualising and making connections to theoretical debates in the discipline that need to be uncovered. This is an important part of the research process, as the main aim of most academic studies is to contribute to existing theoretical debates in their discipline. Zhang and Wildemuth (2009:2) state that the process of qualitative data analysis starts when data is being collected already. Starting with data analysis at this early stage, helps direct the researcher to use sources that will help answer the research question(s) early in the research process. In order to come up with inferences that are valid and which can be relied upon, the process of analysing qualitative data in a systematic and transparent manner involves a number of steps, some of which are summarised below (Rossouw, 2003:156):

6.3.1. Preparing the data

In analysing qualitative content, such as data collected through interviews, the data has to be converted into written text before analysis can start (Zhang & Wildemuth, 2000:3). In this study, as a first step in the analysis process, a professional transcriber transcribed data from the interviews that were conducted.

6.3.2. Developing categories and a coding scheme

The process of coding data involves identifying themes, ideas and patterns in data. For this study, the questions for both the interviews and survey questionnaire were open-ended. Relevant data thus emerged from the answers provided by the respondents. The relevant themes emerging from the transcripts of the interviews and survey questionnaires were identified through the coding process, individually for each question in line with non-cross-sectional data analysis. This provided a pattern of the respondents' views to the questions, as presented below.

6.3.3. Drawing conclusions from the coded data

Once the coding process is completed, conclusions can be drawn from themes that emerge from the data (Ritchie & Lewis, 2003:203). In the current study, the data was organised in accordance with non-cross-sectional data organisation and analysis, answers to questions were looked at individually, and conclusions were drawn on the

themes that emerged from answers to individual questions.

6.3.4. Reporting of findings

In order to ensure validity, the findings of the data analysis process have to be reported analytically and as honestly as possible (Zhang & Wildemuth, 2000:5). In this study, where there were few respondents in certain sections of the interview schedule, as only internal audit senior managers could answer the questions, the researcher triangulated the interview data, using other sources of information, such as the Agency's annual report and the audit plan in order to validate the data (cf. section 5.2.3). In addition, most sections of the interview schedules, and survey questionnaire, for the three groups of respondents described above were the same. This served the purpose of identifying consistencies or inconsistencies in the various responses, as well as contributing to validate the data.

In the next section, the researcher reports on the analyses of the data collected from the interviews, survey questionnaires and a focus group discussion.

6.3.5. Reporting on and analysing the findings

This section presents the first set of data, with the analysis and interpretation of the results from interviews conducted with senior internal audit managers. The primary intention of the interviews and survey questionnaires was to collect data on SASSA's internal audit function, which would enable the researcher to answer the main research question, as well as achieve the primary objective of the study (cf. sections 1.3 and 1.4). For research purposes, the interview and survey questionnaire respondents were given pseudonyms to enable reflecting minority views or differing opinions (cf. Appendices 6, 8 & 10).

Table 6.1 below details all SASSA's operational risks for the financial year 2015/16, which informed the Agency's internal audit plan, which was made available to the researcher (marked 'confidential'). However, for purposes of this study, only the financial misconduct- and fraud-related risks have been considered by the data collecting instruments. The findings are reported below. At this juncture, it is also appropriate to reemphasise the interrelationships (cf. Figure 5.3) between the internal audit function, the Risk Management department as well as the Fraud and Compliance department. Firstly, in terms of reporting structure, both the internal audit function and the Risk Management department report functionally to the Agency's audit committee. The Fraud and

Compliance department is responsible for implementing the Agency's fraud prevention plan, through fraud awareness campaigns, which focus on training officials on fraud prevention. The Risk Management department is responsible for co-ordinating the process of risk identification and ensuring that new and emerging risks are recorded in the Agency's risk register (SASSA, 2016:52–55).

Secondly, Treasury Regulations: PFMA require that, in their three-year rolling strategic internal audit plans, internal audit functions should take into account the operations of the institution, including its risk management strategy, which must include a fraud prevention plan (National Treasury, 2005:81–82). This requirement shows that the three functions are required by law to work closely together. In addition, it illustrates that the work of the internal audit function is influenced by the work of the Risk Management department, as the custodian of risks in the Agency, and that of the Fraud and Compliance department, which is responsible for implementing the Agency's fraud prevention plan, through fraud awareness campaigns (SASSA, 2016:55).

Table 6.1: SASSA internal audit plan

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
1. Possible manipulation of SCM processes and PFMA prescripts by corrupt SASSA officials, which may unfairly benefit certain suppliers.	<ul style="list-style-type: none"> • Commence risk and audit assessments. • Review SCM policies and collaborate with Fraud and Compliance as well as Risk Management departments and ICT security to institute proactive fraud detection tools. 	Compliance and performance audits.	In-house.	Yes.
2. Lack of	<ul style="list-style-type: none"> • Develop file 	Compliance	In-house.	No.

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
adequate grant application workflow processes in regions, resulting in loss of applications and non-delivery of services to beneficiaries when they try to transfer to other regions.	management and storage systems in order to prevent loss of information when documents are lost.	review.		
3. Financial loss when grant monies are lost and not recovered because of irregularities and fraud.	<ul style="list-style-type: none"> • Overpayment to be calculated immediately and forwarded to regional Grants Administration. 	Compliance and financial audits.	Outsource.	Yes.
4. Financial loss due to irregular payments made to beneficiaries because of fraud.	<ul style="list-style-type: none"> • Physical verification of beneficiaries to ensure they exist. • Determination of sources of payment from the Reserve Bank. • Payments to be recovered from Standard Bank. 	Compliance and financial audits.	Outsource.	Yes.
5. Inability of the	<ul style="list-style-type: none"> • SASSA to 	Compliance	In-house.	No.

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
National Department of Public Works to acquire suitable buildings and/or failure by SASSA to clearly specify its building requirements, resulting in the Agency using facilities that are not suitable.	compile standardised building specifications for its offices.	and performance audits.		
6. Lack of compliance by Cash Paymaster Services (CPS) to payment norms and standards.	<ul style="list-style-type: none"> Periodic visits to pay points to ensure and enforce compliance by CPS to service level agreement (SLA) and pay point norms and standards. 	Compliance review.	Co-source.	No.
7. No synergy between Grants Administration and corporate services when capacitating results in the creation of separate asset registers.	<ul style="list-style-type: none"> Management meetings and governance structures allowing an integrated approach. 	Compliance audit.	In-house.	No.
8. Insufficient	<ul style="list-style-type: none"> Develop 	Compliance	In-house.	Yes.

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
control over irregular expenditure and fruitless and wasteful expenditure.	guidelines and practices to provide clarity on different types of expenditure.	and financial audits.		
9. Incomplete register of matters considered and those to be considered by the Financial Misconduct Board (FMB), resulting in financial misconduct cases not being reported.	<ul style="list-style-type: none"> Develop a manual for reporting that incorporates reporting of all incidents of financial misconduct and distribute to all staff. 	Compliance and financial audits.	In-house.	Yes.
10. Lack of a monitoring and tracking tool to ensure timely submission of performance reports from regions.	<ul style="list-style-type: none"> Develop monitoring capacity to ensure constant engagement with regions. 	Compliance and performance audits.	In-house.	No.
11. Claims for payment in lieu of overtime not submitted timely resulting in the processing of overtime payment without a	<ul style="list-style-type: none"> Develop and approve an HR plan based on the Agency's strategic plan. 	Compliance review.	In-house.	No.

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
reference number.				
12. Ineffective asset management control system resulting in assets not found /identified on the floor.	<ul style="list-style-type: none"> • Review asset register half-yearly. • Policies on transfer of assets to be put in place. • Process of capacitating local offices with asset managers has been instituted. 	Compliance and financial audits.	In-house.	No.
13. Unauthorised and irregular payments.	<ul style="list-style-type: none"> • Engage the services of an independent auditor to verify the completeness and correctness of the claim. 	Management request.	Outsource.	Yes.
14. Abuse of social relief of distress.	<ul style="list-style-type: none"> • Develop and implement a strategy to address weaknesses identified. 	Management request.	In-house.	No.
15. Irregular and unauthorised utilisation of petrol cards to procure goods other than petrol.	<ul style="list-style-type: none"> • Identify trends and modus operandi. • Apply restrictions on the use of the petrol cards. 	Management request.	In-house.	Yes.

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
16. Delays in implementation of internal and external auditors' recommendations and/or management action plans not implemented.	<ul style="list-style-type: none"> Develop management action plans in order to monitor progress on implementation of actions plans. 	Compliance Audit.	In-house.	No.
17. Lack of policies and procedures or policies not reviewed/updated, creating inconsistent employee performance reviews that result in varying organisational performance.	<ul style="list-style-type: none"> Develop, review and update policies and procedures and ensure compliance with it. 	Compliance audit.	In-house.	No.
18. Organisational strategies and goals may not be achieved.		Consulting reviews.	In-house.	No, however, it is believed that cases of financial misconduct may contribute to this risk.
19. Lack of alignment between business	<ul style="list-style-type: none"> IT governance. 	ICT audit.	In-house.	No.

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
objectives and IT leading to failure in meeting organisational requirements.				
20. Inadequate performing of user access reviews on the SOCPEN (SOCPEN is the IT system that SASSA uses) environment, possibly resulting in employees having more access than required, increasing the possibility of fraud and system manipulation.	<ul style="list-style-type: none"> Validity, accuracy and completeness of beneficiary details captured on SOCPEN. 	ICT review.	In-house.	No.
21. Inadequate document management processes which can result in potential theft or loss of confidential information.	<ul style="list-style-type: none"> Beneficiary documents are captured on document management system. SASSA acquired the services of a service provider to assist in payment of grants to 	ICT audit	Co-source.	No.

Operational risk	Risk mitigating strategy	Type of audit	Service provider	Relevance for the study?
	beneficiaries			
22. Budget approvals occurring after the commencement of operational plans resulting in the failure to set targets.	<ul style="list-style-type: none"> Active participation and engagement by general managers and executive managers when drafting budgets and operational plans thus allowing timeous allocation of budgets and targets. 	Compliance audit.	Co-source.	No.
23. Beneficiaries may not be able to receive grants.	<ul style="list-style-type: none"> SASSA acquired the services of a service provider to assist with the payment of grants to beneficiaries. 	ICT review.	Co-source.	No.

Source: SASSA (2015:16–25)

6.3.5.1. Reporting and analysis of findings from data collected through interviews (senior managers – internal audit)

In consultation with the General Manager: Internal Audit (the literature refers to this incumbent, as chief audit executive or CAE – cf. section 2.3.7), five senior internal audit managers were identified. Three out of the five senior managers were interviewed at the head office of SASSA. As noted above, the data from the interviews and survey questionnaires was analysed using the ATLAS.ti. qualitative data analysis software, after which conclusions were drawn from themes that emerged from the data (cf. Ritchie & Lewis, 2003:203). The research respondents had been assigned pseudonyms to enable reflecting their differing opinions or minority views (e.g. SA=senior internal audit

manager). The dates of the interviews are attached as Appendix 6. The interviews took place in each manager's office, for purposes of ensuring privacy and confidentiality. Findings and analysis of the data from the interviews are reported below:

Section 1: Professional ethics

Question 1: Do internal auditors at SASSA promote an ethical culture? If so, how do they do this? (An ethical culture is a culture that promotes what is considered right and proper behaviour of public officials, when carrying out their work, according to [Kaptein (2010:516)]).

Literature review: cf. section 2.4.2.2: Ethics and accountability in public administration.

Responses: The common theme that emerged is that internal auditors at SASSA discharge their duties according to the internal audit charter and code of conduct of the Agency, and consequently promote an ethical culture within the internal audit profession and function.

Question 2: Do internal auditors at SASSA discuss unethical occurrences such as fraud with the CEO? If so, how is this done?

Literature review: cf. section 2.4.2.3: Dimensions of accountability.

Responses: SASSA has a separate department that deals with fraud & compliance, which is not part of the internal audit function. It is therefore not the responsibility of internal audit to uncover fraud. However, in the event that internal audit reports indicate a possibility of fraud, this is brought to the attention of management and/or the CEO and the audit committee.

Question 3: Do internal auditors at SASSA discuss unethical occurrences such as fraud with management? If so, how is this done?

Literature review: cf. section 2.4.2.3: Dimensions of accountability.

Responses: If internal auditors suspect or uncover any fraud during audit assignments, these are discussed with the head of the particular department, as well as noted in internal audit reports, which are made available to management.

Question 4: Do internal auditors at SASSA investigate institutional unethical occurrences such as fraud? If so, how is this done?

Literature review: cf. section 2.4.2.4: Developments pertaining to public sector ethics.

Responses: SASSA has a separate department that deals with fraud. However, during

audits, such as grant audits, internal audit has picked up potential fraud cases, for example in medical assessment reports that are submitted by beneficiaries, as well as instances where it appeared as if the same beneficiaries were claiming under different identity numbers. These cases were referred to the Agency's fraud & compliance department for further investigation.

Question 5: Do internal auditors at SASSA suggest measures for resolution once they have investigated institutional unethical occurrences such as fraud? If so, how is this done?

Literature review: cf. section 2.4.2.4: Developments pertaining to public sector ethics.

Responses: The auditors suggested measures for resolution in the internal audit reports, which indicated the findings, the causes, the risks and/or potential effects, recommendations and proposed management action plans to address the risks and findings.

Section 2: Governance, risk and control

Question 1: Do internal auditors at SASSA understand their role concerning promoting good governance? (Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as to increase management accountability [Nevondwe *et al.* 2014:261; Vafaei & Christopher 2014:3]). If so, how is this demonstrated?

Literature review: cf. sections 2.3.1: Theoretical framework for internal audit effectiveness; 3.4: Governance.

Responses: Yes, they do. This is demonstrated by the audits, which cover governance, internal control and risk management. Additionally, senior management in the internal audit function is active in communicating to staff about how to deal with fraud and how to report it.

Question 2: Do SASSA's management responsible for the internal audit function ensure that internal audit activities are aimed at addressing the risks that face the Agency? If so, how is this done?

Literature review: cf. section 2.3.4: Defining internal auditing.

Responses: The Agency's audit plan is based on risk assessments of the institution. Audit plans focus on high risks, and are drafted in consultation with management and the Auditor-General. This feedback is confirmed in the audit plan for SASSA, for the year

2015/16, which was provided to the researcher. The audit plan states that the internal audit plan is risk-based, and is informed by the results of the strategic and operational risks of the Agency, which were identified during 2013/14. The audit plan further states that input for the plan was also sought from the reports of the Auditor-General and senior management.

Question 3: How often do SASSA's internal audit managers submit reports to the Agency's senior management detailing the risks that face the Agency from an internal audit point of view?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: The submission of reports varies, and is as per approved audit plans and/or schedules and audit assignments per branch and/or region. After each audit assignment, reports are brought to the attention of the managers concerned. On a quarterly basis, progress against planned audits is tabled at audit committee meetings.

Question 4: How do internal auditors at SASSA promote a culture of fraud risk awareness within the Agency? (A culture of fraud risk awareness is a culture, which proactively raises awareness, about both internal and external fraud risks that face an institution [Lister, 2007:62]).

Literature review: cf. sections 2.3.2.6: Risk assessment audits; 2.3.4: Defining internal auditing.

Responses: The Fraud & Compliance department in the Agency is responsible for doing roadshows on fraud prevention. The internal audit function is not actively involved. This feedback does not comply with the requirements of the PFMA. This shortcoming will be addressed below (cf. section 6.4.2.1).

Question 5: Do internal auditors at SASSA evaluate the potential for fraud risks? If so, how do they do this?

Literature review: cf. section 2.3.2.6: Risk assessment audits.

Responses: During the planning of audits and when audit assignments are carried out, the adequacy of internal controls in relation to financial misconduct such as fraud (cf. Table 6.1) is evaluated, and areas of concern are highlighted.

Question 6: Do internal auditors at SASSA ascertain common types of fraud associated with the institution? If so, how do they do this?

Literature review: cf. section 2.3.2.6: Risk assessment audits.

Responses: The common types of fraud cases, which have been identified through audits conducted in the Agency include fraudulent medical assessments, fraudulent identity books, and ghost beneficiaries.

Section 3: Organisational insights

Question 1: How does SASSA's internal audit function assist the Agency in managing quality social security services to suitable and potential beneficiaries effectively? (Please provide examples).

Literature review: cf. section 2.3.2: The evolution of the internal audit function.

Responses: By doing reviews in every new financial year, where a sample of applications is drawn and reviewed to check if all the requirements by the Agency have been met. This includes checking if the people who are paid are correct, the time taken to apply for grants as well as to check for any loopholes in the grants administration process. If loopholes are picked up, the grants department has to commit to correcting them.

Question 2: How does SASSA's internal audit function assist the Agency in managing quality social security services to suitable and potential beneficiaries, efficiently? (Please provide examples).

Literature review: cf. section 2.3.2: The evolution of the internal audit function.

Responses: Through performance audits that are conducted to look at efficiencies.

[F]or example, previously there were five stages of the grant application process, which took up to 21 days. Now there are four stages, and the process can be completed within a day if everything is working properly, all the required information is submitted (SA 2).

Question 3: How do internal auditors at SASSA assist the Agency in fulfilling its strategic objective of complying with good governance principles?

Literature review: cf. sections 2.3.1: Theoretical framework for internal audit effectiveness; 2.3.2: The evolution of the internal audit function; 3.4: Governance.

Responses: Internal audit reviews consider governance, internal controls and risk management. Some of the activities carried out by internal auditors include considering how various committees in the Agency are working and whether appointments are made in accordance with the correct processes.

Question 4: How do internal auditors at SASSA assist the Agency in fulfilling its strategic objective of operational excellence?

Literature review: cf. section 2.3.2: The evolution of the internal audit function.

Responses: The activities of the internal audit function are aligned with the overall strategic objectives of the Agency. This enables the internal audit function to advise management in areas where there is non-compliance with the policies of the Agency.

Section 4: Communication

Question 1: Do internal auditors at SASSA communicate in a positive manner in order to secure the trust of members of the institution?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: The internal auditors always communicate in a positive manner, and their work is always supported by evidence. If managers do not agree with outcomes of audits, they are given an opportunity to present counter-evidence.

Question 2: Do internal auditors at SASSA promote open communication? If so, how do they do this?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: There is open communication, where managers in the different departments that are audited are given a chance to review draft reports before these are finalised. Senior internal audit managers also have standing invitation at all strategic and operational meetings of the Agency.

Question 3: Do internal auditors at SASSA show others respect? If so, how do they do this?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: The internal auditors conduct themselves professionally.

Question 4: Do internal auditors at SASSA customise messages and/or reports to reflect the needs of the target audience? If so, how do they do this?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: The internal auditors structure messages according to the target audience. For example, the CEO is only given an executive summary highlighting audit findings, whereas heads of departments are given full reports.

Question 5: Do internal auditors at SASSA choose suitable forms of communication (verbal, non-verbal, visual, written) to their different audiences?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: Communication is mostly in writing, for example, internal audit reports but audit findings are also discussed verbally.

Question 6: Do internal auditors at SASSA choose suitable forms of communication mediums (face-to-face, electronic, and paper-based) as deemed suitable to their different audiences?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: For record-keeping, reports are in writing.

Question 7: Do internal auditors at SASSA discuss audit findings and their impacts professionally with senior managers? If so, how do they do this?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: Once audit assignments have been concluded, the internal audit team meets with senior managers in the department that was audited to present and discuss the findings.

Question 8: Do internal auditors at SASSA discuss audit findings and their impacts professionally with the CEO? If so, how do they do this?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: An executive summary with a list of significant findings, highlighting the impact of the findings on the Agency, is prepared for the CEO after audit assignments. The General Manager: Internal Audit also meets with the CEO at audit committee meetings, executive committee meetings and on an ad hoc basis.

Question 9: Do internal auditors in SASSA apply suitable communication skills during interviews? If so, how do they do this?

Literature review: cf. sections 2.2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: Interviewees are invited to meetings and alerted of what is to be discussed. Client satisfaction surveys at the end of each audit assignment are also administered.

Section 5: Persuasion and collaboration

Question 1: There is effective cooperation between internal auditors in SASSA and external auditors (Auditor-General)?

Literature review: cf. section 2.3.5.5: Cooperation between internal and external auditors.

Responses: At the beginning of the year, when the Agency's internal audit plan is developed, engagements are made with the Auditor-General to ensure that there is no duplication of effort. Audits by the internal audit function are also informed by previous findings by AGSA.

Question 2: Internal auditors in SASSA have integrity? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The common themes that emerged point to the fact that the recruitment process for internal auditors includes screening by the State Security Agency, which assists in identifying suitable candidates. However, the following was also pointed out:

[T]here have been reports of unauthorised information disclosure by the internal auditors (SA 3).

Question 3: Internal auditors in SASSA are competent? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors are competent. Where there is a gap, this is addressed through training.

Question 4: Internal auditors in SASSA are independent? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The internal auditors are required to declare any potential conflict of interest before each audit assignment, in order to ensure independence.

Question 5: Internal auditors in SASSA are objective all the time? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The internal auditors are objective all the time. The risk registers and engagements with management inform their work. Additionally, internal audit reports incorporate everything that was discovered during audits.

Question 6: How is confidentiality, as one of the aspects of SASSA's values, evident in the work of the Agency's internal auditors?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: At the beginning of each year, each member of the internal audit function in the Agency is required to sign a declaration of independence and confidentiality. The declaration ensures that information collected during audits is kept confidential and cannot be used for anything outside of work. Additionally, all internal audit reports are marked confidential.

Question 7: Do internal auditors in SASSA have difficulties accessing information they require to do their work? If so, what are these difficulties and what is done to address the difficulties?

Literature review: cf. section 2.3.4.2: Consulting activities.

Responses: The internal auditors reported never having had an issue with accessing the information they needed. If they encountered any obstacles, this was reported as a scope limitation. In the first letter of engagement with managers, they were sensitised to all documents required for the audit assignment, and periods for the audit were highlighted.

Section 6: Critical thinking

Question 1: Do internal auditors in SASSA objectively analyse and evaluate information before forming a judgement? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Documents were analysed thoroughly, checked against policies, and benchmarked to make sure that the evidence was sufficient.

[I]nternal auditors also apply IIA standards during the course of their work, which require them to be objective (SA 2).

Question 2: Do internal auditors in SASSA propose strategies to improve institutional processes? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors propose strategies to improve institutional processes through making value-adding recommendations on improving systems of internal control on risk mitigation.

Question 3: Which methods do internal auditors in SASSA use to analyse and evaluate the efficiency of institutional processes? (Please provide example).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The following methods are used:

- Interviews with management using questionnaires;
- control adequacy evaluations;
- data analytic reporting on non-compliance;
- benchmarking against other institutions and best practice;
- as well as checking previous years' operations to see if there are improvements.

Question 4: Which methods do internal auditors in SASSA use to analyse and evaluate the effectiveness of institutional processes? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Methods used to analyse and evaluate the effectiveness of institutional processes include checking whether there is compliance with processes, policies and manuals.

Question 5: Do internal auditors in SASSA support management in finding practical solutions to address issues identified through audit activities? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: When policies are designed, internal audit assists and is part of identifying risks. If internal audit identifies gaps in the implementation of policies, recommendations are made to management for improvements.

Section 7: Internal audit delivery

Question 1: Do internal auditors in SASSA follow-up with management to make sure that management action items from audit findings are effectively implemented?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Managers are given six months to implement recommendations. After six months, internal audit assesses whether implementation has taken place. If implementation has not taken place, another report is issued and management has to recommit to addressing issues, or give reasons why implementation has not taken place.

Question 2: Do internal auditors in SASSA follow-up with management to ensure that senior managers have accepted the risk of not implementing management action items from audits conducted?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: If management decides not to act on findings, this is recorded in the internal audit report. Management is also required to come up with action plans to address audit findings, which are also reported to the audit committee.

Question 3: Do internal auditors in SASSA manage all resources efficiently to make sure that audit engagement objectives are met?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: In order to achieve the objectives of the audit plan, audit assignments are allocated to staff and monitored. Weekly feedback is provided to ensure timelines are not exceeded. In addition, internal audit budget quarterly performance information reports and quarterly progress reports, which detail the performance and progress of the internal audit function, are available for relevant stakeholders such as the Auditor-General.

Question 4: Internal auditors in SASSA develop project plans to ensure that the delivery of audits takes place according to agreed timelines? (Please provide examples).

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: There are project plans for every audit, which indicate timelines and allocated resources.

Question 5: Internal auditors in SASSA implement project plans to ensure that the delivery of audits takes place according to agreed timelines? (Please provide examples).

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Internal audit reports on the progress of implementing the audit plan are submitted to the audit committee and CEO.

Question 6: Internal auditors in SASSA monitor project plans to ensure that the delivery of audits takes place according to agreed timelines? (Please provide examples).

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Monitoring of project plans is done through controlling whether progress is in line with project plans. Weekly progress feedback sessions are scheduled if intervention is needed. The internal audit function at head office uses the TeamMate® software to ensure progress of team members who are working off site.

Question 7: How do internal auditors in SASSA assess the information/evidence they collect in the course of their work?

Literature review: cf. sections 2.3.4.2: Consulting activities; 2.3.5.1: Characteristics of internal auditors.

Responses: During the process of testing controls, a process is followed based on audit programmes. The process includes controlling the information and/or evidence provided by areas being audited, against authorised procedures and prescripts.

Question 8: What are the key elements that form part of the audit findings that are presented by internal auditors in SASSA?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses:

1. Standard/Criteria, which stipulates what the policy says;
2. Findings in terms of testing the criteria;
3. Give management an opportunity to give input (cause, reason for non-compliance, etc.);
4. Evaluate the effect of the audit findings on the institution;
5. Communicate internal audit recommendations to the relevant department to remedy status quo;
6. Provide management with an opportunity to comment, that is, either agree or disagree with findings.

If management agrees with the findings, they must provide an action plan to address action items, the name of person who will be responsible for implementation and the implementation date. If management does not agree, they have to give reasons why they do not agree and provide supporting evidence.

Question 9: The financial resources allocated to SASSA's internal audit function are adequate?

Literature review: cf. section 2.3.5.3: Support by members of a public institution.

Responses: The budget is limited, which affects the work that has to be done in the various regions negatively.

[I]n this regard, it is important to note that internal auditors in the Agency are only situated at head office, in Pretoria (SA 1).

The importance of adequate financial resources for the internal audit function is considered below (cf. section 6.4.2.7).

Question 10: Senior management in SASSA support the work of the Agency's internal audit function through ensuring that the recommendations made by the function are implemented?

Literature review: Cf. section 2.3.5.3: Support by members of a public institution.

Responses: Senior management discusses audit findings with subordinates to ensure that implementation takes place. Senior managers at head office also engage with local offices and come up with action plans.

Question 11: SASSA's internal audit function is effective, that is, the function achieves its set objectives? If yes, please include examples, indicating what the function has done, that illustrates effectiveness. If, not, please indicate how the function plans to correct this?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Objectives are always met. Audit objectives are aligned with the audit procedures and mitigate risks that face the Agency. However, it will be shown below (cf. section 6.4.3.3) that cases of financial misconduct, including irregular expenditure, continue to take place at SASSA. This is an indication of inter alia shortcomings in the internal audit function of the Agency.

Question 12: SASSA's internal audit function is efficient, that is, the function achieves its set objectives without wasting resources? If yes, please include examples, indicating what the function has done, that illustrates efficiency. If, not, please indicate how the function plans to correct this?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: The internal audit function is always looking at ways to improve how audits are conducted.

Question 13: SASSA's internal audit function operates from an *ex ante* perspective as opposed to a *post facto* perspective, that is, the function is proactive in coming up with internal control measures that are preventative in nature, as opposed to investigating issues that have already occurred?

Literature review: cf. sections 2.3.2: The evolution of the internal audit function; 2.4.2.6.7: Deficient control and accountability.

Responses: The internal audit function is proactive. Audits are done on projects as projects are being implemented in order to give advice on risks that may arise.

Section 8: Audit committee

Question 1: SASSA's audit committee members display sound judgement? (Please provide examples).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: The audit committee has played an advisory role in the Agency, in order to help the Agency avoid mistakes, such as during the process of appointing a grants administration service provider. SASSA (2015/16a: 57) confirms this finding, and confirms that the audit committee has advised the Agency during the process of transition towards incorporating the Agency's grants payment role in-house. The audit committee found that the process of transition presented complexities, which would create new risks, for which both the risk management department and internal audit function would need to be prepared.

Question 2: SASSA's audit committee members display objectivity? (Please provide examples).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: The committee makes decisions regardless of who is affected.

Question 3: SASSA's audit committee members display integrity (Please provide examples).

Literature review: cf. 2.3.7.1: Attributes of an audit committee.

Responses: The committee acts ethically.

Question 4: SASSA's audit committee members display healthy constructive scepticism? (Please provide examples).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: The committee provides constructive criticism that is aimed at building the Agency.

Question 5: SASSA's audit committee members display a high level of ethics? (Please provide examples).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: The committee members conduct themselves ethically and are independent. This finding is confirmed in SASSA (2015/16a: 54), where it is stated that during the year under review, the Agency's audit committee continued with its role of providing independent advice to management as well as overseeing the work of the internal audit function.

Question 6: SASSA's audit committee members display strong communication skills? (Please provide examples).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: The audit committee members have good communication skills and they address issues adequately and make follow-ups.

Question 7: How does SASSA's audit committee ensure that it complies with its audit committee charter? (An audit committee charter establishes the mandate of an audit committee and outlines the roles and responsibilities of the committee and its members. It establishes the authority to obtain information and required resources, outlines respective roles and responsibilities of internal and external stakeholders who have an obligation to interact with the audit committee [IIA, 2014:8]).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: The audit committee meets as per their charter. When they need access to the internal audit function, they liaise with internal audit management and the office of the Auditor-General.

Question 8: What is the current level of participation by audit committee members in audit activities? (Please provide examples).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: The audit committee members participate actively. If management makes ad hoc internal audit requests, internal audit managers have to seek the approval of the audit committee, as the committee is the one that approves the internal audit plan. Section 77 of the PFMA states that audit committees must meet at least twice a year (RSA,

1999a:63). Feedback from SASSA (cf. Appendix 15) confirmed the above responses and showed that the Agency has four scheduled audit committee meetings per annum. In addition, there are special audit committee meetings to review financial statements, annual reports and critical matters that affect the Agency.

Question 9: Which value-adding activities and outcomes that are in line with SASSA's vision, statutory objectives, and strategies have been initiated by SASSA's audit committee? (Please provide examples).

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: Some of the value-adding activities that the audit committee has initiated include taking the Agency's services to the poor and providing advice in this regard.

[F]or example, the advice provided relates to issues that were reported in one of the audit committee meetings, which led to the formation of a sub-committee to help address issues that the Agency is facing (SA 2).

Question 10: What are the objectives of the orientation training that audit committee members go through?

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: Orientation training is aimed at familiarising audit committee members with strategic objectives of the Agency and for them to get a better understanding of the Agency's structure.

Question 11: Does the orientation training take place within a reasonable time following appointment? If so, what is the period within which it takes place, if not, what is done to correct this?

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: Yes, it does. It takes place at the first meeting after appointment.

Question 12: How often is the performance of SASSA's audit committee assessed and by whom?

Literature review: cf. section 2.3.7.1: Attributes of an audit committee.

Responses: Self-assessments by the audit committee take place quarterly.

Section 9: Policy implementation variables

Please provide your views on the following:

Question 1: Human resource capacity of SASSA's internal audit function?

Literature review: cf. 2.3.4.2: Consulting activities; 3.2.4: Implementation and policy type; sections 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: The internal audit function is understaffed. At the time of the current research (2016), there were 23 staff members who had to audit nine regional offices across the country. The number of staff in the Agency's internal audit function was also cited in the Agency's internal audit plan, which was provided to the researcher. Additionally, in a written response, the Agency confirmed to the researcher that the HR capacity issues in the internal audit function were addressed through a co-sourcing arrangement (cf. section 2.3.6 of this thesis) with nine service providers, who had been appointed to help the function in covering high-risk areas identified in its audit plan. The General Manager: Internal Audit indicated to the researcher that the service providers would commence their work in the 2017/18 financial year.

Question 2: Commitment of internal audit staff to their work? (Please provide examples).

Literature review: cf. 2.3.4.2: Consulting activities; 3.2.4: Implementation and policy type; sections 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: Internal auditors are committed to their work. They always try to work beyond their scope, giving advice and assisting with processes at local offices.

Question 3: Understanding of the content of internal audit work? (What their work is about) (Please provide examples).

Literature review: cf. 2.3.4.2: Consulting activities; 3.2.4: Implementation and policy type; sections 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: Internal auditors understand their role of assisting management in achieving the strategic objectives of the Agency. They evaluate the adequacy of internal controls, for example support and advise management when appointing critical service providers, such as grant administration service providers, in ensuring a smooth transition and less impact on beneficiaries.

Question 4: Understanding of the context, within which the internal audit function operates? (Understanding context includes understanding how the political, economic, social, technological, legislative and environmental realities of the system may affect

implementation [Brynard, 2005:16]).

Literature review: cf. 2.3.4.2: Consulting activities; 3.2.4: Implementation and policy type; sections 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: Internal auditors are always mindful of the prescripts that govern the function.

[H]owever, the function endeavours to steer clear of any political influences, and strives to do its work, without being influenced by politics (SA 1).

Furthermore, in terms of technological software, the team uses the software system TeamMate® for quality assessments and Audit Command Language (ACL) to analyse data. The TeamMate® software is a renowned internal audit software, which was selected by the IIA for internal audit quality assessments throughout the world (New Accountant, 2017:1). Furthermore, the National Audit Department of Malaysia (2016:30) confirmed that that department has successfully used the ACL data analysis software to improve its government audit processes radically. The internal audit software systems that SASSA is using are thus used internationally and have received positive reviews.

Question 5: Who the main clients of the internal audit function are in SASSA?

Literature review: cf. 2.3.4.2: Consulting activities; 3.2.4: Implementation and policy type; sections 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: The internal audit function is situated at the Agency's head office in Pretoria, and is responsible for providing value-adding auditing services to the Agency's nine regional offices (one office in each province).

Question 6: Please provide your views with regard to the ability of SASSA's leadership to communicate with subordinates (Please provide examples).

Literature review: cf. 2.3.4.2: Consulting activities; 3.2.4: Implementation and policy type; sections 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: The ability of the SASSA leadership to communicate with subordinates is lacking. Strategies are not communicated to subordinates and/or subordinates are not given feedback following senior management strategy sessions. The Auditor-General who indicated in SASSA's 2012/13 and 2013/14 annual reports that the SASSA leadership was lacking when it came to their responsibility to communicate policies and procedures shared this view.

Communicating the policies and procedures to subordinates is important in order to enable subordinates to understand the internal control environment, as well as to ensure that there is complete and accurate financial reporting (SASSA, 2013:104; SASSA 2014:78).

Question 7: Please provide your views with regard to the ability of SASSA's leadership to create an environment that enables and supports an understanding of internal control functions, such as the internal audit function (Please provide examples).

Literature review: cf. 2.3.4.2: Consulting activities; 3.2.4: Implementation and policy type; sections 3.2.7.5: The evaluation of a policy in terms of revisions.

Responses: Top management does not support the work of the internal audit function. The responses to the question supported the discussion under question 6 above.

Section 10: Sections of the PFMA

Question 1: Treasury Regulations: PFMA 27.2.7(a) requires public entities to have a three-year rolling strategic internal audit plan in place. Does SASSA have this in place, if so, who is responsible for developing the plan?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: The Agency has a three-year rolling strategic internal audit plan in place. The plan is drafted in consultation with management and the office of the Auditor-General.

Question 2: The PFMA requires internal audit functions (specifically the CAE) to report directly to the accounting authorities (CEO) of public entities. Is this the case in SASSA?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: The General Manager: Internal Audit reports directly to the CEO. The General Manager: Internal Audit's reporting line was also confirmed through a written reply to a list of questions, which the researcher sent to the incumbent prior to the interviews.

Question 3: The internal audit function is required by the PFMA to report at all audit committee meetings. Is this the case in SASSA, if so, what are the main aspects that the function reports on at these meetings?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: The internal audit function reports at all audit committee meetings. The main items that are reported on include progress against the audit plan, audit findings on completed audit assignments, staffing issues and training requirements.

Question 4: Section 77 of the PFMA states that audit committees must consist of at least three persons of whom one must be from outside the public service. What is the composition of SASSA's audit committee (how many members are internal and how many are external)? If all members are external, what is the reason for this?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: All SASSA audit committee members are external. The reason for this is to promote independence. A list of SASSA's audit committee members, which shows that they are all external, was sent to the researcher. Additionally, SASSA (2016:56) lists the audit committee members, which shows that they are all external members.

Question 5: Section 77 of the PFMA states that audit committees must meet at least twice a year. How many times does SASSA's audit committee meet in a year?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: SASSA'S audit committee members meet four times a year. There is also one special meeting to look at financial statements prior to submitting these to the Auditor-General. SASSA (2016:56) confirms the above feedback by interview respondents, and shows that the audit committee members met four times during the year under review.

Question 6: Sections 76(1)(b) of the PFMA states that if an official is found guilty of financial misconduct (irregular and fruitless and wasteful expenditure), the losses must be recovered from the official. How does SASSA deal with cases of financial misconduct?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: The Financial Misconduct Board (FMB) in the Agency deals with cases of financial misconduct and recommends sanctions. Where money has to be recovered, steps are taken to recover the money. The existence of the FMB in the Agency is confirmed in SASSA (2016:54). It is further explained that the board is a governance structure established to deal with matters of financial misconduct as required by section 83 of the PFMA, which mandates that cases of financial misconduct should be dealt with adequately.

Question 7: SASSA has a risk management strategy?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: The Agency has a risk management strategy. A copy of the Agency's risk management strategy was provided to the researcher. Additionally, SASSA (2016:55) highlights that, at the time of the report, the Agency had an approved fraud prevention plan that was aligned with the Agency's risk management strategy.

Question 8: The risk management strategy determines the skills required of managers and staff to improve controls and to manage risks?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: There is no evidence of this in the Agency.

Question 9: How often are risk assessments conducted in SASSA?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: Risk assessments are conducted once a year.

Question 10: Is the risk management strategy in SASSA clearly communicated to all employees in order ensure that it is incorporated into the operations of the public entity? If so, how is this done? If not, what can be done to correct this?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: Yes, through workshops that are held across all regions. SASSA (2015/16a:55) states that the implementation of the fraud prevention plan in the Agency, which is aligned with its risk management strategy, is done through fraud awareness campaigns. During the period under review (i.e. 2015/16), a total of 75 fraud, theft and corruption awareness programmes were introduced, during which the Fraud & Compliance department trained 3 596 officials from the Agency's regional, district and local offices. Additionally, presentations on the prevention, detection, investigation and resolution processes, pertaining to fraud cases, were held during induction sessions in partnership with the Human Capital Management department.

Question 11: Does SASSA's internal audit function assist the accounting authority (CEO) in maintaining effective controls? This includes evaluating those controls to determine their effectiveness and efficiency. If so, how is this done? If not, what can be done to correct this?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: Internal audit reports provide recommendations that assist management and the CEO with decision-making concerning controls. Additionally, the auditors audit high-risk areas, thereby giving assurance to the CEO on compliance with controls or lack thereof.

Question 12: Does SASSA's internal audit function assist the accounting authority (CEO) in developing recommendations for enhancement or improvement of internal controls? If so, how is this done? If not, what can be done to correct this?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: Audit findings include recommendations for improvement of the internal control environment.

Question 13: Does SASSA's internal audit function assist the accounting authority (CEO) in achieving the objectives of the institution? If so, how is this done? If not, what can be done to correct this?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: The audit committee and CEO approve the audit plan of the Agency. This ensures that risk areas identified by the CEO are addressed. The internal audit function assists the CEO in achieving the objectives of the institution in this way.

6.3.5.1.1. General assessment of perceptions and experiences of internal audit senior managers

The data collected through interviews with senior internal audit managers shows that the internal audit function in the Agency is in the main discharging its duties in line with the requirements of an internal audit function as required by the IIA and the PFMA. This can be seen in the audit areas covered in the audit plan, namely the high-risk areas. This is critical, as promoting effective controls is one of the key objectives of an internal audit function. The three main issues identified from the data relate to a lack of HR capacity, which led to the Agency entering co-sourcing arrangements, leadership deficiencies, which have also been highlighted by the Auditor-General as well as the fact that the audit committee members were all external members. These issues are explored in detail below when theory–practice gaps are considered.

6.3.5.2. Reporting and analysis of findings from data collected through interviews (other senior managers – strategic high risk areas)

In consultation with the General Manager: Accounting, a list of senior managers in strategic high-risk areas at the Agency's head office and Gauteng regional office was compiled. Ten of these other senior managers were interviewed. These research respondents were assigned pseudonyms to enable reflecting their differing opinions or minority views. Where this applies, it is indicated by SO 1–10. The list of senior managers sampled and those interviewed, indicating their designations, is attached as Appendix 8.

Section 1: Professional ethics

Question 1: Do internal auditors in SASSA promote an ethical culture? If so, how do they do this?

Literature review: cf. section 2.4.2.2: Ethics and accountability in public administration.

Responses: Two themes emerged from the interviews:

- Positive: internal auditors do their work according to prescripts, they are ethical and professional in all audit engagements, and they also promote *Batho Pele* principles.
- Negative:
 - [I]Internal auditors do not promote an ethical culture and they do not follow the audit plan, they focus on ad hoc requests by executives. The internal auditors are used as investigators, when managers suspect fraud. In addition, their audits clash with those of external auditors (SO 3).

Question 2: Do internal auditors in SASSA discuss unethical occurrences, such as fraud, with management? If so, how is this done?

Literature review: cf. section 2.4.2.3: Dimensions of accountability.

Responses: If any unethical occurrences have been identified, these are discussed after each audit engagement when findings are presented. However, the following was also cited:

[U]nethical occurrences are not formally discussed; this only happens if the manager concerned knows someone in the internal audit department (SO 3).

Question 3: Do internal auditors in SASSA investigate institutional unethical occurrences such as fraud? If so, how is this done?

Literature review: cf. section 2.4.2.4: Developments pertaining to public sector ethics.

Responses: The internal audit function focuses on compliance with processes in line with policies and procedures. Independent bodies and the Agency's Fraud & Compliance department do fraud investigations.

Question 4: Do internal auditors in SASSA suggest measures for resolution once they have investigated institutional unethical occurrences such as fraud? If so, how is this done?

Literature review: cf. section 2.4.2.4: Developments pertaining to public sector ethics.

Responses: If internal auditors come across any issues, these are first discussed with management, thereafter suggestions pertaining to controls aimed at mitigating the risks are made. However, the following was cited:

[M]easures for resolution are made to executives following ad hoc requests and not to management (SO 3).

In this context, 'executives' refer to executive managers and 'management' refers to senior managers.

Section 2: Governance, risk and control

Question 1: Do internal auditors in SASSA understand their role concerning promoting good governance? If so, how is this demonstrated?

Literature review: cf. sections 2.3.1: theoretical framework for internal audit effectiveness; 3.4: Governance.

Responses: The internal auditors understand their role about promoting good governance. However, the way audits are done makes it difficult for the Agency to implement the findings and improvements. The internal auditors conduct audits at the same time as the Auditor-General, leaving no time for implementation. They do not communicate on time when audits are done. Furthermore –

[S]enior management forces them to do ad hoc audits which has a negative impact on the internal audit plan (SO 3; SO 7).

Question 2: Do SASSA's management responsible for the internal audit function ensure that internal audit activities are aimed at addressing the risks that face the Agency? If so, how is this done?

Literature review: cf. section 2.3.4: Defining internal auditing.

Responses: Most audit activities are based on a three-year rolling plan based on the Agency's risk register. On the other hand, SO 3 said:

[T]he leadership of the internal audit function does not have a good understanding of the institution and is often told what to do by other senior managers.

Question 3: How often do SASSA's internal audit managers submit reports to the Agency's senior management detailing the risks that face the Agency from an internal audit point of view?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Reports are submitted to senior management as and when audits have been completed. However, SO 3 indicated: "This has never happened."

Question 4: How do internal auditors in SASSA promote a culture of fraud risk awareness within the Agency?

Literature review: cf. sections 2.3.2.6: Risk assessment audits; 2.3.4: Defining internal auditing.

Responses: The internal audit function does not promote a culture of fraud risk awareness, instead the Fraud & Compliance department is the one that promotes a culture of fraud risk awareness. This finding does not comply with the requirements of the PFMA. This shortcoming will be considered below (cf. section 6.4.2.1).

Section 3: Communication

Question 1: Do internal auditors in SASSA communicate in a positive manner in order to secure institution members' trust?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Yes, communication is professional, information is requested in writing and responses are in writing. The communication emphasises that internal auditors are there to assist.

Question 2: Do internal auditors in SASSA promote open communication? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Internal auditors promote transparency when audit findings are made. They discuss these with affected managers to get their input before a report is finalised.

Question 3: Do internal auditors in SASSA show others respect? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Internal auditors always show others respect by not undermining any of their clients.

Question 4: Do internal auditors in SASSA customise messages to reflect the needs of the target audience? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Internal auditors are flexible. They discuss some issues informally and issue formal reports.

Question 5: Do internal auditors in SASSA discuss audit findings and their impacts professionally with senior managers? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: There are audit steering committee meetings where audit findings, which include root causes and their influence, are discussed. Recommendations are also presented at these meetings.

Question 6: Do internal auditors in SASSA apply suitable communication skills during interviews? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Once internal auditors have collected the required documentation for audit engagements, they phone to clarify any issues that may arise if necessary. The following was also highlighted:

[S]enior internal audit managers lack suitable communication skills, however, their subordinates do have the skills (SO 3).

Section 4: Persuasion and collaboration

Question 1: There is effective cooperation between internal auditors in SASSA and external auditors (Auditor-General)?

Literature review: cf. section 2.3.5.5: Cooperation between internal and external auditors.

Responses: There is no synergy between the auditors from the office of AGSA and SASSA's internal audit function. The auditors from AGSA do not use the Agency's internal audit reports, that is, they do not place reliance on the internal audit function, and internal audit work has not led to the Auditor-General reducing its scope of work. The internal auditors and the Auditor-General do not seem to be working together to promote good governance. This has led to duplication of work.

Question 2: Internal auditors in SASSA have integrity? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Auditors have integrity. They do not try to find fault; they emphasise that their role is to assist and suggest resolutions.

Question 3: Internal auditors in SASSA are competent? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors are competent and they have the required qualifications. However, it was also said –

They are lacking in terms of linking theory to practice (SO 8).

Question 4: Internal auditors in SASSA are independent? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors display independence when carrying out audit assignments by checking what they do against the PFMA and reporting on findings objectively. However, it was also said:

[T]he internal auditors are influenced by management (SO 3).

Question 5: Internal auditors in SASSA are objective all the time? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors are objective. This is seen in their reports, which objectively detail the findings of audits conducted. However, the following was indicated:

[N]ot all of them are objective, some are management sweethearts. For example, internal audit conducted an audit on new registration of grants. The internal auditors found some things that were wrong. The CEO had already said something not in line with the findings in the media. The General Manager: Internal Audit was then instructed to change the internal audit report to suit what CEO had said (SO 3).

Question 6: How is confidentiality, as one of the aspects of SASSA's values, evident in the work of the Agency's internal auditors?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The internal auditors keep all information confidential. No confidential information has been leaked in the past.

Section 5: Critical thinking

Question 1: Do internal auditors in SASSA propose strategies to improve institutional processes? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: On each audit finding, the internal auditors proposed strategies for improvement that need to be implemented. However, the following was highlighted

[T]he internal auditors avoid proposing strategies for improvement because they do not understand what is happening in the Agency (SO 3).

Question 2: Do internal auditors in SASSA support management in finding practical solutions to address issues identified through audit activities? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors provide management with advice by proposing strategies to mitigate risks.

Section 6: Internal audit delivery

Question 1: Do internal auditors in SASSA follow-up with management to make sure that management action items that arise from audits are effectively implemented?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Areas in the Agency that have been audited have to submit monthly progress reports on the implementation of audit findings to the internal auditors. However, the following was cited:

[T]his has never happened (SO 3).

Question 2: Do internal auditors in SASSA follow-up with management to ensure that senior managers have accepted the risk of not implementing management action items from audits conducted?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: When an internal audit report is issued, management has to sign the report and agree to implement action items.

Question 3: Senior management in SASSA support the work of the Agency's internal audit function through ensuring that the recommendations made by the function are implemented?

Literature review: cf. section 2.3.5.3: Support by members of a public institution.

Responses: Management is responsible for implementing management action items and has to make sure that implementation takes place.

Question 4: SASSA's internal audit function is effective, that is, the function achieves its set objectives? If yes, please give examples, indicating what the function has done to illustrate effectiveness. If not, please indicate how the function plans to correct this?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: The common theme that emerged is that improvements have been noted after internal auditors had concluded audit assignments, in the form of reductions in Auditor-General findings. On the other hand, the following was pointed out:

[I]nternal auditors are not effective as they do not do what they are supposed to (SO 3).

It must also be noted that in 2013, when the researcher conducted interviews with the managers on the general implementation of the PFMA, when this question was asked, the unanimous feedback from the managers was that the Agency's internal audit function was not effective. They cited issues of not getting feedback from the function and that it was an investigative function rather than an internal audit function, which has to pick up deviations to procedures with the aim of coming up with corrective action.

The contrast between feedback given in 2013 and that given during the interviews conducted in 2016, reflected that positive gains had been realised by the internal audit function in the three-year period since the first interviews, although shortcomings were pointed out above. When this observation is juxtaposed with the various Auditor-General

reports between the financial years 2012/13 and 2015/16, the following is noted: during the previously mentioned financial periods, SASSA has received unqualified audit opinions (cf. section 1.6) with findings on compliance with legislation. One of the factors contributing to the findings on compliance with legislation during 2012/13 was that the internal audit function did not have a three-year rolling internal audit plan. This finding was in violation of Treasury Regulation: PFMA 27.2.7(a). Furthermore, the Auditor-General emphasised that intervention was needed in the area of governance. The Agency's political office-bearer thus made a commitment to ensure that the internal audit function would be adequately capacitated going forward (AGSA, 2013:110–111).

For the financial year 2013/14, the findings on compliance with legislation, related to amongst others misstatements in the area of accrued expenses, on financial statements (AGSA, 2014:110–183). During financial year 2014/15, the Auditor-General found that previous misstatements on financial statements had been addressed. Further ones were noted, which related to operating leases. SASSA's internal audit function was found not to have discharged its duties pertaining to the evaluation of the reliability and integrity of financial and operational information. Additionally, SASSA was found to have neglected its responsibility in terms of taking reasonable steps that would prevent irregular expenditure, as well as taking action against transgressors (AGSA, 2015:239). In the financial year 2015/16, the finding on non-compliance with legislation again related to failure by the Agency to prevent and manage irregular as well as fruitless and wasteful expenditure. However, the Auditor-General's assessment of SASSA's internal audit function and audit committee was that both were discharging their assurance roles (cf. section 2.3.4.1) (AGSA, 2016:139–140). The assertions by the Auditor-General are thus in line with the observation made above with reference to improvements in SASSA's internal audit function albeit the various challenges that have been noted.

Question 5: SASSA's internal audit function operates from an *ex ante* perspective as opposed to a *post facto* perspective, that is, the function is proactive in coming up with internal control measures that are preventative in nature, as opposed to investigating issues that have already occurred?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: The internal auditors are proactive most of the time and their plans involve senior management. However, the following negative statement was also noted:

[T]he internal auditors are seen to be more visible when the Auditor-General is also

around, and they are reactive, that is, they audit when they suspect something wrong has happened (SO 3; SO 8).

6.3.5.2.1. General assessment of the perceptions and experiences of other senior managers

The feedback provided by other senior managers in some of the Agency's strategic high-risk areas was in most instances the same as that provided by senior managers: internal audit. Examples included other senior managers' views on the role that the internal auditors are playing in promoting an ethical culture in the Agency as well as the way in which the auditors communicate with auditees. However, it must be noted that SO 3 answered negatively to most questions. Another concerning feedback related to the other senior managers' perception with regard to a lack of synergy between the Agency's internal auditors and auditors from the Auditor-General's office, which was seen as leading to duplication of effort. This issue requires urgent attention by the Agency's internal audit function, as cooperation between internal and external auditors has been noted above as one of the attributes of an internal audit function, which has implications for the effectiveness of the function (cf. section 2.3.5.5). These issues were explored and are discussed in detail below when theory–practice gaps are considered.

The following section reports on the analysis of data collected through survey questionnaires.

6.3.5.3. Reporting of findings from data collected through questionnaires

The General Manager: Internal Audit provided a list of 14 junior managers in the internal audit function, as presented in Appendix 10. The survey questionnaire was sent to all the junior managers. Eight out of the 14 returned their completed questionnaires to the researcher. The research respondents were assigned pseudonyms to enable reflecting their differing opinions or minority views. These are indicated as JA 1–8.

Section 1: Professional ethics

Question 1: Do internal auditors in SASSA promote an ethical culture? If so, how do they do this?

Literature review: cf. section 2.4.2.2: Ethics and accountability in public administration.

Responses: Internal auditors promote an ethical culture by ensuring that the following principles of the IIA code of ethics are observed:

- integrity – ensures reliance on their judgement;
- objectivity – shows they are not unduly influenced by others to form a judgement;
- confidentiality – prohibits auditors from sharing any information unless required by law; and
- competency – ensures that auditors do not audit projects that they do not understand.

Question 2: Do internal auditors in SASSA discuss unethical occurrences, such as fraud, with the CEO? If so, how is this done?

Literature review: cf. section 2.4.2.3: Dimensions of accountability.

Responses: After each audit assignment, cases of suspected fraud are communicated to the CEO in the form of reports. However, the internal audit function can only report on suspected fraud but not draw a conclusion that fraud is occurring. A recommendation is forwarded to the Agency's Fraud & Compliance department for further investigation.

Question 3: Do internal auditors in SASSA discuss unethical occurrences, such as fraud, with management? If so, how is this done?

Literature review: cf. section 2.4.2.3: Dimensions of accountability.

Responses: Once audit assignments have been finalised, which are at times requested by management when they suspect fraudulent activities, the findings are communicated to management.

Question 4: Do internal auditors in SASSA investigate institutional unethical occurrences such as fraud? If so, how is this done?

Literature review: cf. section 2.4.2.4: Developments pertaining to public sector ethics.

Responses: The Agency's Fraud & Compliance department investigates fraud, which may have been identified or which is suspected by internal auditors during audits.

Question 5: Do internal auditors in SASSA suggest measures for resolution, once they have investigated institutional unethical occurrences such as fraud? If so, how is this done?

Literature review: cf. section 2.4.2.4: Developments pertaining to public sector ethics.

Responses: Measures for resolutions are made in the form of recommendations that internal auditors present once audit assignments have been concluded.

Section 2: Governance, risk and control

Question 1: Do internal auditors in SASSA understand their role with regard to promoting good governance? If so, how is this demonstrated?

Literature review: cf. sections 2.3.1: Theoretical framework for internal audit effectiveness; 3.4: Governance.

Responses: Internal auditors promote good governance through ensuring that the governance structures within the Agency are in place. Additionally –

[I]nternal audits are risk based, informed by the risk assessments performed by the Agency's risk management department. As such from the risk assessment performed, a one-year plan and a three-year plan will be developed by the internal audit department based on the high risk areas and good governance will kick in as they are the main drivers of the agency's strategy (JA 8).

Question 2: Does SASSA's management responsible for the internal audit function ensure that internal audit activities are aimed at addressing the risks that face the Agency? If so, how is this done?

Literature review: cf. section 2.3.4: Defining internal auditing.

Responses: The risk assessments performed by the Agency's risk management department inform internal audit activities, that is, the internal audit function develops its plan from the risk register provided by the risk management department. The plan constitutes ratings for each risk that is assessed. Risks that are rated as high are given a priority and are incorporated in year one of the audit plan. Risks that are not rated as high are incorporated into years two and three of the three-year rolling strategic internal audit plan of the Agency.

Question 3: How often do SASSA's internal audit managers submit reports to the Agency's senior management detailing the risks that face the Agency from an internal audit point of view?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Reports are submitted after completion of each audit assignment, and quarterly to the audit committee.

Question 4: How do internal auditors in SASSA promote a culture of fraud risk awareness within the Agency?

Literature review: cf. sections 2.3.4: Defining internal auditing; 2.3.2.6: Risk assessment audits.

Responses: It is the responsibility of the Agency's Fraud & Compliance department to promote a culture of fraud risk awareness. However, the internal audit function provides advice if they pick up any suspected fraud during audits.

Question 5: Do internal auditors in SASSA evaluate the potential for fraud risks?

Literature review: cf. sections 2.3.4: Defining internal auditing; 2.3.2.6: Risk assessment audits.

Responses: The internal audit function only provides advice and recommendations on suspected fraud. This finding does not comply with the requirements of the PFMA. The shortcoming will be considered below (cf. section 6.4.2.1).

Question 6: Do internal auditors in SASSA ascertain common types of fraud associated with the institution? If so, how do they do this?

Literature review: cf. sections 2.3.4: Defining internal auditing; 2.3.2.6: Risk assessment audits.

Responses: Internal auditors look at signals that fraud may be occurring based on the controls that are currently in place. The most common type of fraud in the Agency relates to embezzlement of funds and/or grants.

Section 3: Organisational insights

Question 1: How does SASSA's internal audit function assist the Agency in managing quality social security services to suitable and potential beneficiaries effectively? (Please provide examples).

Literature review: cf. section 2.3.2: The Evolution of the internal audit function.

Responses: The internal audit function conducts audits on social grants on a yearly basis, utilising the social grant policies to verify whether the Agency is managing social security services to suitable and potential beneficiaries as intended.

[A]udit objectives are also aligned to strategic objectives of the Agency, in order for internal audit to add value (JA 6).

Question 2: How does SASSA's internal audit function assist the Agency in managing quality social security services to suitable and potential beneficiaries efficiently? (Please provide examples).

Literature review: cf. section 2.3.2: The evolution of the internal audit function.

Responses: Internal audit performs audit assignments to identify whether the controls in place are efficient and effective. When deviations are found, internal audit provides recommendations aimed at providing guidance to improve those controls.

Question 3: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of complying with good governance principles?

Literature review: cf. sections 2.3.1: Theoretical framework for internal audit effectiveness; 2.3.2: The evolution of the internal audit function; 3.4: Governance.

Responses: The internal audit function ensures that the scope of each audit assignment includes auditing to establish whether the Agency complies with good governance principles. Where principles of good governance are found to be lacking, internal audit provides recommendations for improvements.

Question 4: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of operational excellence?

Literature review: cf. section 2.3.2: The evolution of the internal audit function.

Responses: Internal auditors test the controls that are in place in order to help the Agency achieve its strategic objectives.

Section 4: Communication

Question 1: Do internal auditors in SASSA communicate in a positive manner in order to secure the trust of the members of the institution?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Internal auditors communicate in a positive manner.

[T]he function has a survey that is completed by management after every audit assignment, whereby management is able to provide feedback on how they experienced their interactions with the internal auditors (JA 8).

Question 2: Do internal auditors in SASSA promote open communication? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Senior internal audit managers are always available to assist when required to do so. Additionally, before final audit reports are issued, preliminary reports are discussed with management, and managers are able to give input.

Question 3: Do internal auditors in SASSA show others respect? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Internal auditors approach management in a professional manner and conduct audits with due professional care.

Question 4: Do internal auditors in SASSA choose suitable forms of communication mediums (face-to-face, electronic or paper-based) as deemed suitable to their different audiences?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Different types of communication are used depending on the type of message that internal audit wishes to convey.

[F]ace-to-face communication is used most of the time as it gives the function an opportunity to market itself to management (JA 2).

Electronic and paper-based forms of communication are also used.

Question 5: Do internal auditors in SASSA discuss audit findings and their impacts professionally with senior managers? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Close-out meetings are held with senior managers in areas audited, once audit assignments have been concluded, to discuss the findings of the audits.

Question 6: Do internal auditors in SASSA discuss audit findings and their impacts professionally with the CEO? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: All final internal audit reports are sent to the CEO. Additionally, the CEO is invited to audit committee meetings, where internal audit reports are also discussed.

Question 7: Do internal auditors in SASSA apply suitable communication skills during interviews? If so, how do they do this?

Literature review: cf. sections 2.3.1.3: Communication theory; 2.3.5.1: Characteristics of internal auditors; 3.2.7.5: Evaluation of a policy in terms of revisions.

Responses: Internal auditors relay the necessary information to auditees during interviews in a clear and simple manner in order to make it easy for management to understand the messages conveyed.

Section 5: Persuasion and collaboration

Question 1: There is effective cooperation between internal auditors in SASSA and external auditors? (Auditor-General).

Literature review: cf. section 2.3.5.5: Cooperation between internal and external auditors.

Responses: The Auditor-General relies on the work of internal auditors. Internal auditors focus mainly on controls, whereas external auditors make use of internal audit reports to develop their focus areas and to conclude that transactions reported in the financial statements are accurate. This finding contradicts that of other senior managers, as noted above, which indicated that there are no synergies between the work of the internal auditors in the Agency and the office of the auditor general.

Question 2: Internal auditors in SASSA have integrity? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors follow rules and avoid using information for personal gain.

Question 3: Internal auditors in SASSA are competent? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The internal auditors have the necessary qualifications and experience to conduct audits.

Question 4: Internal auditors in SASSA are independent? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The internal auditors in SASSA are required to sign a declaration before the start of each audit assignment, confirming that there is no conflict of interest, thus assuring independence.

Question 5: Internal auditors in SASSA are objective all the time? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: The internal auditors are not unduly influenced by others to form a judgement.

Question 6: Do internal auditors in SASSA have difficulties accessing information they require to do their work? If so, what are these difficulties, and what is done to address the difficulties?

Literature review: cf. section 2.3.4.2: Consulting activities.

Responses: Internal auditors in SASSA do not have difficulties in accessing information to do their work. Management always provides all information requested.

Question 7: How is confidentiality as one of the aspects of SASSA's values, evident in the work of the Agency's internal auditors?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors at SASSA sign an oath of secrecy when appointed, and are vetted to obtain security clearance. Furthermore –

[T]he function ensures that information cannot be used for personal gain or in a manner that will be contrary to the law or detrimental to the legitimate and ethical objectives of the institution. All final internal audit reports are marked confidential, and indicate that they are for the use by SASSA only. The internal audit function reports are also shared with a limited number of officials, such as regional executive managers, executive managers at head office and the audit committee, in order to control who is privy to the information contained in the reports (JA 2).

Section 6: Critical thinking

Question 1: Do internal auditors in SASSA objectively analyse and evaluate information before forming a judgement? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: When information is obtained, it is objectively analysed before a judgement is formed. The ACL software is used to analyse and evaluate information.

Question 2: Do internal auditors in SASSA propose strategies to improve institutional processes? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: During audits when internal audit identifies inefficiencies in processes, recommendations for improvements are made and communicated in the internal audit reports.

Question 3: Which methods do internal auditors in SASSA use to analyse and evaluate the efficiency of institutional processes? (Please provide examples).

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Information on controls that ought to assure efficiency of institutional processes is analysed, using the ACL software. This is done in order to test whether controls are effective.

Question 4: Do internal auditors in SASSA support management in finding practical solutions to address issues identified through audit activities? If so, how do they do this?

Literature review: cf. section 2.3.5.1: Characteristics of internal auditors.

Responses: Management is given a chance to respond to audit findings and come up with action plans to address the findings. Internal auditors follow-up on the action plans and continuously monitor to ensure that the action plans are implemented.

Section 7: Internal audit delivery

Question 1: Do internal auditors in SASSA follow-up with management to make sure that management action items that arise from audits that have been conducted are effectively implemented?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Internal audit conducts follow-up audits to check whether management action items that management committed to implement, have indeed been implemented.

Question 2: Do internal auditors in SASSA manage all resources efficiently to make sure that engagement objectives are met?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: Yes, they do. For example:

[D]uring the planning phase of audit assignments, internal auditors outline the scope of the audits and identify all the resources to execute the audit efficiently. Furthermore, if a lot of travelling is required, then bookings will be made in areas close to the office that will be audited. Internal audit will also use data analysis tools to assist with sampling prior to commencing audit fieldwork (JA 2).

Question 3: How do internal auditors in SASSA assess the information/evidence they collect in the course of their work?

Literature review: cf. sections 2.3.4.2: Consulting activities; 2.3.5.1: Characteristics of internal auditors.

Responses: Internal auditors compare information and/or evidence obtained by means of the processes of the Agency and activities as per policies and procedures, in order to see whether the information and/or evidence obtained is in line with the policies and procedures. If the information obtained is different from the approved policies, internal audit identifies the exceptions and reports on this.

Question 4: What are the key elements that form part of the audit findings that are presented by internal auditors in SASSA?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: The key elements that form part of audit findings are: the standard or the policies or regulations, the findings, the causes, and the effects. These key elements are detailed in a preliminary report, which is given to management for comment. This is followed by recommendations by internal audit, to which management has to agree. Management then has to specify the person who will be responsible for implementation in their team and commit to a date by which the management action item will be implemented.

Question 5: Are the financial resources allocated to SASSA's internal audit function adequate?

Literature review: cf. section 2.3.5.3: Support by members of a public institution.

Responses: The financial resources allocated to the internal audit function are

inadequate. Most of SASSA's work is done by the regions and/or the provinces and they perform the work and submit quarterly performance reports to head office where all reports are consolidated. Internal audit thus has to provide assurance to management on the adequacy and effectiveness of controls at the nine regional offices. As a result, the financial resources required are vast.

Question 6: Senior management in SASSA support the work of the Agency's internal audit function through ensuring that the recommendations made by the function are implemented?

Literature review: cf. section 2.3.5.3: Support by members of a public institution.

Responses: Senior management supports the work performed by internal audit and submitted to head office in the quarterly reports. The regions report on their progress about the implementation of internal audit recommendations.

Question 7: SASSA's internal audit function is effective, that is, the function achieves its set objectives? If yes, please include examples, indicating what the function has done, that illustrates effectiveness. If not, please indicate how the function plans to correct this?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: The function is effective; however, there is a shortage of staff. Where the internal audit function does not have skills in-house to carry out audits such as performance and ICT audits, co-sourcing arrangements have been entered into, with contractors who have the required skills. In addition, the following was cited:

The internal audit function will be effective if senior managers implement its recommendations (JA 7).

Question 8: SASSA's internal audit function is efficient, that is, the function achieves its set objectives without wasting resources? If yes, please include examples, indicating what the function has done, that illustrates efficiency. If not, please indicate how the function plans to correct this?

Literature review: cf. section 2.3.5.2: Attributes of an internal audit function.

Responses: The function is efficient and data analysis tools are used to narrow down populations to be audited, thus completing audits quicker.

Question 9: SASSA's internal audit function operates from an *ex ante* perspective as opposed to a *post facto* perspective, that is, the function is proactive in coming up with

internal control measures that are preventative in nature, as opposed to investigating issues that have already occurred?

Literature review: cf. sections 2.3.2: The evolution of the internal audit function; 2.4.2.6.7: Deficient control and accountability.

Responses: The internal audit function is proactive, as it comes up with recommendations on how controls can be improved on an ongoing basis

6.3.5.3.1. General assessment of the perceptions and experiences of junior internal audit managers

The feedback from junior internal audit managers is aligned with that of the senior managers: internal audit. Where both groups of managers were asked the same questions, this was done firstly to triangulate and secondly, for purposes of comparing the answers provided, in line with purposive sampling methodology (cf. section 5.5), and ultimately to observe whether the one group views the function differently from the other. The feedback presented above points to the fact that both groups had the same views of SASSA's internal audit function.

However, there were instances where other senior managers (identified senior managers in strategic high-risk areas), who were ultimately the customers of the internal audit function, had different views to those of the two groups of internal audit managers. This can be seen, firstly, on the question that relates to the working relationship between SASSA's internal auditors and the office of the Auditor-General. The other senior managers were of the view that the lack of synergies between SASSA's internal auditors and the office of the Auditor-General has led to duplication of efforts between the two, which affected the implementation of recommendations to findings. Secondly, the other senior managers agreed that the Agency's internal auditors were suitably qualified; however, indicated that they were not able to apply theory to practice.

The following section reflects on the analysis of data that was collected through a focus group discussion with members of the SCM team at SASSA's head office. The objective of the focus group discussion was to get a better understanding on the effects that the internal audit function have had on the SCM department, following the audit on the following risk: Possible manipulation of supply chain management (SCM) processes and PFMA prescripts by corrupt SASSA officials, which may unfairly benefit certain suppliers (cf. Table 6.1). The focus group participants have been named by means of pseudonyms

(participant 1-4) for research purposes, to enable reflecting minority views or differing opinions (cf. Appendix 12).

6.3.5.4. Reporting and analysis of findings from data collected through a focus group discussion

The Acting General Manager: Supply Chain Management (SCM) provided a list of key individuals in the department who could participate in a focus group discussion in order to assist the researcher with further information to understand the influence or lack thereof of the work of the internal audit function, specifically in the SCM department. The work of an internal audit function includes,

- checking compliance with policies; and
- providing institutions with an independent objective review of operational and financial controls aimed at managing risks and achieving objectives. This includes providing advice to management on various matters, such as the management of risks to acceptable levels (cf. section 2.3.4).

The focus group discussion was deemed necessary, as the most significant risk listed in Table 6.1 above – ‘Possible manipulation of SCM processes and PFMA prescripts by corrupt SASSA officials, which may unfairly benefit certain suppliers’ – is a risk in the SCM department. The findings of the focus group discussion are reported below.

Question 1: Has the audit on the following risk as noted in the 2015/16 audit plan been conducted? ‘Possible manipulation of Supply Chain Management (SCM) processes and PFMA prescripts by corrupt SASSA officials, which may unfairly benefit certain suppliers’ if so, when was it conducted?

Literature review: cf. section 2.3.1.1: Agency theory.

Responses: The risk was audited in November 2015.

Question 2: Would you say the internal audit function was effective when they audited the above risk? Please provide examples.

Literature review: cf. section 2.3.1: Theoretical framework for internal audit effectiveness.

Responses: The focus of the audit was on compliance where the main concern was that the SCM department was not complying with legislative requirements, when it came to various documents that needed to be submitted by suppliers as well as rotating suppliers.

'Rotating suppliers' refers to using different suppliers on the database, as opposed to using the same ones all the time. It must also be noted that the participants stated that from July 2016, the public sector, including SASSA, used a central electronic database to source suppliers. The National Treasury manages this central database, which aims to minimise human intervention.

Question 3: Describe how the shortcomings that led to the risk have been corrected because of the audit? Please provide examples.

Literature review: cf. section 2.3.1: Theoretical framework for internal audit effectiveness.

Responses: The participants cited that the SCM department had implemented controls, such as segregation of duties. By way of example, one official, referred to as a 'nominator', was responsible for drawing a list of suppliers from the central database referred to above, and the supervisor had to approve the list. A different official then had to send out a request for quotation to the selected suppliers, who then sent through their quotations to a central email address that was managed by someone else. However, all the participants emphasised that these controls were not suggested to them by the internal audit function but by their general manager at the time.

Question 4: What are the recommendations for improvement that were suggested by the internal audit function, following the audit on the above risk?

Literature review: cf. section 2.3.1: Theoretical framework for internal audit effectiveness.

Responses: The participants could not recall the recommendations by internal audit, and cited that their focus was on the Auditor-General's findings as opposed to those of the internal audit function. This is because the internal audit function came to conduct their audits at the same time as auditors from the office of the Auditor-General, and this did not allow them time to focus on both sets of findings and recommendations.

Question 5: Would you say the way in which you service and/or source suppliers has improved because of the audit on the above risk? If so, describe these improvements.

Literature review: cf. section 2.3.1: Theoretical framework for internal audit effectiveness.

Responses: The participants again emphasised that they did not see value in the work of their internal auditors as they conducted their audits at the same time as the auditors

from the office of the Auditor-General. Their expectation was that internal auditors should conduct their audits first, and present their findings for them to implement before the auditors from the office of the Auditor-General conducted their audit. Participant 2 gave an example of a recent audit on their commitment register (orders awaiting delivery). The audit was conducted in January 2017, and the internal audit report was submitted to the SCM at the end of April. The participant was of the view that the report took too long to be finalised, and was no longer of value. The participants confirmed that there was no Service Level Agreement (SLA) between the internal audit function and the various departments or directorates within the Agency.

Question 6: Is the internal audit function effective?

Literature review: cf. section 2.3.1: Theoretical framework for internal audit effectiveness.

Responses: All participants emphasised that the timing issue between their internal auditors and the office of the Auditor-General rendered their internal audit function ineffective. In addition, they cited that the late reports did not assist them.

[T]he audits are done for compliance purposes, it is malicious compliance (participant 2).

Furthermore, the participants indicated that the internal audit function was reactive and focused on ad hoc requests.

6.3.5.4.1. General assessment of the views of the focus group discussion participants

The feedback presented by the focus group discussion participants on the issue of the internal audits clashing with those of the office of the Auditor-General, was in line with the feedback presented by the other senior managers above. The focus group discussion participants also revealed that this issue has rendered their internal audit function ineffective. In addition, the participants highlighted that they received internal audit reports late, at which time they did not find value in the recommendations presented by the internal auditors. These responses do not bode well for the internal audit function.

The next section considers the main themes identified from the interviews and survey questionnaire data above, in relation to the main themes that emerged from various sections of literature on internal audit, financial misconduct and policy implementation, reflected on in Chapters two and three of the thesis.

6.4. IDENTIFYING THEMES EMERGING FROM LITERATURE

This section considers theory–practice gaps (cf. section 5.4.1.1.1) at SASSA, by considering the themes that emerged from the interviews and survey questionnaire data in relation to the main themes that emerged on policy implementation, internal audit and financial misconduct literature. Additional documentation relevant for the study was requested in writing from SASSA. This comprised details of financial misconduct cases. The requests for the information are attached as Appendices 14 and 17.

6.4.1. Interviews and survey questionnaire: Themes from internal audit literature

The following are themes that emerged from the literature review and which were regarded as important for the functioning of an internal audit function. The literature themes are considered against SASSA's current realities, as noted in the study findings, various secondary sources of information, and compliance with the internal audit function as required by the PFMA. Compliance with the PFMA or a lack thereof is thus highlighted, as well as any theory–practice gaps.³

6.4.1.1. Internal audit plan

Several authors found that institutions where audit committees have a strong influence on internal auditing practices, such as influencing the audit plan instead of management playing this role, produce audit reports that clearly detail audit findings (Sarens & De Beelde, 2006:459–460; Christopher *et al.*, 2009:208). The role of SASSA's audit committee makes provision for an advisory and oversight function. Additionally, the audit committee considers the Agency's internal audit plans and activities (SASSA, 2013:61; SASSA, 2016:54). The above and SASSA's 2015/16 audit plan, which was provided to the researcher, show that SASSA's audit committee has an influence on the audit plan of the Agency, as the committee is required to sign off the plan. The influence of the audit committee of the Agency on the audit plan is in line with what the literature suggests (Sarens & De Beelde, 2006:459–460; Christopher *et al.*, 2009:208). Furthermore, the audit plan of the Agency covers institutional risks based on the strategic risks and operational risks that have been identified (SASSA, 2013:61; SASSA, 2016:54).

³ Literature reviewed in the study provided the researcher with a conceptual framework used to report on the data in this section.

6.4.1.2. Internal audit charter

The IIA (2014:8) posits that an audit charter should establish an audit committee's mandate and outline the roles and responsibilities of an audit committee and its members. Additionally, best practice suggests that a charter must be reviewed annually and modified as required. The board of an institution or similar structure should review and approve the charter. In the case of SASSA, the PFMA stipulates that if a public entity, such as SASSA, does not have a board or other controlling body, as is the case with SASSA, the CEO of such public entity is the accounting authority for that public entity (PFMA, 1999a:46), and would be responsible for approving the audit charter. An audit charter is also used to assess the performance of an audit committee, by measuring the performance of the committee members against requirements outlined in its charter (IIA, 2014:16).

Written feedback from SASSA (cf. Appendix 15) indicated the Agency's audit committee charter is reviewed annually. Furthermore, SASSA's audit committee charter, which was provided to the researcher, showed the mandate of the Agency's audit committee as well as the roles and responsibilities of the committee and its members. The information reflected on the Agency's audit committee charter (attached as Appendix 19) shows that it is in line with best practice and the PFMA.

On the issue of assessing the performance of the audit committee members, further written feedback from SASSA indicated that the assessment method that was applied at the time of the study was self-assessment. In this regard, the PFMA and Treasury Regulations: PFMA do not make any pronouncements on the need to assess the performance of audit committee members. Setlhomamaru (2016:227) says audit committees should be assessed regularly using a combination of self-assessment and independent assessment, as both assessments have shortcomings when done in isolation. Setlhomamaru reiterated the importance of assessing the work of audit committee members in the public sector, as performing and effective audit committees are a necessary condition for good governance as well as for the functioning of an internal audit function (Nevondwe *et al.*, 2014:268–270; Setlhomamaru, 2016:228). It was highlighted in the literature (cf. section 2.3.7) that audit committees play a key and central role in enabling an internal audit function to discharge its role. The aforementioned lack of pronouncements in the PFMA and Treasury Regulations: PFMA on the need to assess the performance of audit committees is thus a concern. The researcher will make

recommendations on this in Chapter seven of the thesis.

6.4.1.3. Follow-up plan for internal audit opinions and recommendations

Several authors have emphasised that the activities of an internal audit function include reporting on findings and following-up on the implementation of internal audit recommendations (Enofe *et al.*, 2013:164; Khaled & Mustafa, 2013:97–98). The South African Social Security Agency's 2015/16 internal audit plan shows that at the time, there was a process in place for the internal audit function to carry out reviews to determine the progress made by management on the implementation of previously reported and agreed-upon management action plans, emanating from audits conducted. Furthermore, feedback from interviews conducted and survey questionnaires, shows that SASSA's internal auditors do follow-up on the implementation of management action items that are raised in internal audit reports.

6.4.1.4. Qualifications and experience of internal audit staff

Numerous authors refer to the competence of staff working in an internal audit function as an important factor of an effective internal audit activity or operation. The quality of the work produced by an internal audit function is thus influenced by the competence of its staff, which is partly validated by their qualifications (Cohen & Sayag, 2010:299; Alzeban & Sawan, 2013:445; Vafaei & Christopher, 2014:16). The qualifications of SASSA's internal audit staff are attached as Appendix 16. This shows that each internal audit staff member of the Agency has the necessary internal audit qualifications.

The experience of an internal auditor is regarded as an important factor in determining internal audit effectiveness, as the more experienced an internal auditor is, the more likely he or she is to be effective when carrying out his or her work (cf. section 2.3.5.4) The average experience of SASSA's internal audit staff is 11 years (cf. Appendix 16). However, the findings from interviews with other senior managers, presented above, pointed to the fact that the Agency's internal auditors are lacking when it comes to linking theory to practice. This indicates that they are qualified; however, they are also perceived as being unable to translate the theory that they learned into practice. In addition, feedback from interviews with other senior managers pointed to that the Agency's internal auditors avoid proposing strategies for improvement, as they do not understand the work and operational processes of the Agency.

6.4.1.5. Appointing the chief audit executive

The independence of an internal audit function is one of the important attributes of an effective internal audit function, and it is compromised if management is responsible for the appointment and dismissal of the CAE (cf. section 2.3.7) (Christopher *et al.*, 2009:208; Alzeban & Sawan, 2013:446). Written feedback from SASSA, attached as Appendix 15 indicates that the Agency's CEO and audit committee are both involved in the appointment of the Agency's CAE. The audit committee's involvement in the appointment of this incumbent somewhat contribute to the independence that is referred to above.

6.4.1.6. The reporting line of the chief audit executive

It is emphasised by several authors that a CAE should report to the audit committee (Sarens & De Beelde, 2006:459–460; Christopher *et al.*, 2009:208; Alzeban & Sawan, 2013:446). The authors further assert that if a CAE reports to senior management instead of an audit committee, this has the potential to result in internal auditors failing in their duty of ensuring that there are adequate control measures in place to protect an institution against fraudulent activities. Enofe *et al.* (2013:164) used agency theory to explain how critical it is to maintain a strong internal audit function, in order for senior management not to deviate from carrying out their duties in a manner that they are expected to. When the internal audit function reports to senior managers, instead of the audit committee, this creates a dilemma because internal auditors are also agents of a board and audit committees, and have to evaluate senior management's work. Additionally, it is noted that internal auditors' loyalty may lie with senior management, as the senior managers may have influence over the future positions and salaries of internal auditors, instead of with a board and/or audit committee. This may result in internal auditors becoming agents who are biased and not objective.

The PFMA states that an internal audit function must report directly to the accounting authority of a public entity, who is the CEO, and at all audit committee meetings. This means that the CAE reports administratively to the CEO and functionally to the audit committee. The feedback from the interviews above and written responses from SASSA (cf. Appendix 15) indicated that SASSA's internal audit function reports directly to the Agency's CEO and to the audit committee at quarterly audit committee meetings. Whilst the dual reporting line of SASSA's internal audit function complies with the PFMA, it does contradict what the literature suggests as highlighted above. In the literature, it is emphasised that an internal audit function should report administratively to the audit

committee and functionally to the CEO. The researcher will make recommendations on this in Chapter seven of the thesis. The dilemma created by the head of internal audit reporting to the CEO is apparent in the feedback provided by one other senior manager above, to the effect that the CEO gave an instruction for an internal audit report to be amended. The reporting line was thus interfering with the independence of the internal audit function, which is a critical factor for internal audit effectiveness (cf. section 2.3.4.2).

6.4.1.7. Budget appropriation and approval for the internal audit function

Financial resources are critical for the effective functioning of an internal audit function, and such adequate financial resources should be allocated to an internal audit function (Cohen & Sayag, 2010:300; Khaled & Mustafa, 2013:97; Badara & Saidin, 2014b:177; Vafaei & Christopher, 2014:17). It is further proposed that, if management influences the budget of the internal audit function, its independence may be compromised. The audit committee should thus be the one that allocates the budget (Christopher *et al.*, 2009:208). Written feedback from SASSA (cf. Appendix 15) indicated that the Agency's CAE and its CFO together determine the budget for the Agency's internal audit function. The above indicates that the Agency's audit committee is not involved in deciding on the budget that is appropriated to the internal audit function, which is not good practice.

During the 2012/13 and 2013/14 financial years, the budgeted amount for SASSA's internal audit and risk management branch was R88 million and R78 million respectively. During these two financial periods, the internal audit and risk management branch had underspent its budget by R63 million and R20 million respectively (SASSA, 2013:57; SASSA, 2014:37). Furthermore, the Auditor-General found that SASSA's internal audit function did not have a three-year rolling strategic internal audit plan in place, as required by Treasury Regulation: PFMA 27.2.7 (a) (SASSA, 2013:104). This indicates that, whilst money was appropriated to the branch, the branch was unable to implement all of its projects, which is seen in the underspending. Furthermore, an inference can be made that the absence of a three-year plan at the time may have been a contributing factor to the underspending. Contrary to this, feedback from interviews above showed that financial resources allocated to the internal audit function were not sufficient. The researcher will make recommendations on this in Chapter seven of the thesis.

6.4.1.8. Policies and procedures guiding operations of internal audit departments

Several authors emphasise that internal auditing is most effective when it enjoys institutional support, which includes ensuring that there are adequate policies and procedures that guide the operation of internal auditors (Cohen & Sayag, 2010:300; Khaled & Mustafa, 2013:97; Badara & Saidin, 2014b:177; Vafaei & Christopher, 2014:17). There is an audit policy in place at SASSA, which guides the work of the Agency's internal audit function, which was provided to the researcher. The policy clarifies the roles of the CEO and executive management in the affairs of the Agency. Furthermore, the Agency's audit committee and internal audit charters are contained in this policy. On reflection, this policy highlights all the necessary requirements of an internal audit function by the PFMA and the IIA. Areas of improvement would thus be in regard to the implementation of the audit policy.

6.4.1.9. Training undertaken by the internal audit department

Some of the factors that have been noted as having an influence on internal audit effectiveness are experience, training, education (including continuous professional education) and professional qualifications of internal audit staff (Badara & Saidin, 2014b:176). Additionally, Alzeban and Sawan (2013:445–446) highlight that internal auditors are required by the IIA to complete 80 hours of acceptable continuous professional education every two years and to make use of relevant learning opportunities. Written feedback from SASSA (cf. Appendix 15) showed that SASSA's internal audit staff had attended various courses relevant to their work. Of importance to note was that, the training undertaken was specific to the internal audit profession, such as training on auditing financial statements for the public sector and not about SASSA and its operations. This supports the feedback reported above to the effect that the internal auditors are perceived as lacking when it comes to their understanding of the Agency's operational work.

6.4.1.10. Composition of the audit committee

Allen *et al.* (2013:390) explain that the independence of an audit committee is further improved if the audit committee has technical expertise in fields such as accounting and budgeting, in order to understand the work of the internal audit function. Audit committee members are thus collectively required to be knowledgeable, or to have expertise in areas of finance and accounting, industry-specific knowledge, internal and external auditing, risk management, regulatory compliance, law as well as IT (IIA, 2014:15). Furthermore,

the IIA (2014:6) remarks that the composition of an audit committee is critical, and that the majority of audit committee members should be external members. Similarly, section 77 of the PFMA (RSA, 1999a) states that audit committees must consist of at least three persons of whom one must be from outside the public service. The PFMA goes further and states that the majority of members may not be persons in the employ of the public institution, other than when permission from the relevant treasury is sought (RSA, 1999a:63). SASSA (2016:54) explains that the Agency's audit committee is made up of nine members who are all external members. Two of the members are chartered accountants, two have law degrees, four have finance and business degrees and one has a law and a business degree.

It thus appears that SASSA's audit committee members possess the right mix of qualifications required for an audit committee (cf. section 4.11). However, the IIA and the PFMA state that the majority of members should be external and not all members. It is believed that having a committee that consists of external members only may mean that they do not have insight into what is happening inside the institution, as they are not part of the day-to-day activities of the institution and/or its immediate environment. The feedback from interviews above indicated that the Agency had decided on having external members only on its audit committee in order to promote independence. The researcher will make recommendations on this in Chapter seven of the thesis.

6.4.1.11. Audit committee meetings

Section 77 of the PFMA states that audit committees must meet at least bi-annually (RSA, 1999a:63). Feedback from SASSA (cf. Appendix 15) shows that the Agency has four scheduled audit committee meetings per annum. In addition, there are special audit committee meetings to review financial statements, annual reports and critical matters that affect the Agency. Feedback from the interviews above, as well as SASSA (2016:54) confirm that the Agency's audit committee meets four times per year. The South African Social Security Agency thus surpasses the requirements of the PFMA, when it comes to its audit committee meetings.

6.4.1.12. Cooperation between internal and external auditors

Pollitt and Bouckaert (2011:87) cite that the level of sophistication of internal audit functions in the public sector, determines the ease or difficulty of the work of external audit institutions. Badara and Saidin (2014a:77) highlight that effective cooperation

between internal and external auditors leads to better quality audit exercises, while it also creates an enabling environment for effective audits. An internal audit function can benefit from having a good working relationship with the public institution's external auditors, as the internal auditors are able to take advantage of the external auditor's knowledge. Alzeban and Sawan (2013:447) are of the opinion that the internal–external auditor relationship is a key concern within professional standards of the internal audit profession. To this end, the authors suggest that exchange of information should take place between the two parties, coupled with coordination of activities undertaken by both parties. These should lead to a professional relationship between the two parties, culminating in effective and quality audits. The other senior managers interviewed in this study as well as the focus group discussion participants were of the view that there is no effective cooperation between SASSA's internal auditors and the external auditors. Their view was that the ineffective working relationship has led to duplication of efforts. This finding also indicated a lack of compliance with Treasury Regulations: PFMA, which state that internal audit functions must be coordinated with internal and external assurance providers in order to minimise duplication of effort (National Treasury, 2005:10).

6.4.1.13. Support by organisation members

'Support by members of a public institution' refers to, amongst others, support by senior managers in promoting the internal audit function within a public institution, in order to encourage everyone in the institution to implement recommendations by the internal audit function. Enofe *et al.* (2013:164) point out that audit findings and recommendations would not be useful if management, as clients of the internal audit function, is not committed to implement them. Management's lack of awareness of the internal audit function could lead to a lack of cooperation during audits and non-implementation of recommendations. The data collected in the current study pointed to the fact that senior managers within SASSA support the internal audit function in the implementation of internal audit recommendations. However, delays in the implementation of internal or external auditors' recommendations were noted in Table 6.1 above, as one of the risks that face the Agency.

6.4.1.14. Service level agreements

The focus group discussion participants (cf. section 6.3.5.4) cited that there was no SLA between SASSA's internal audit function and the various directorates and/or departments within the Agency. An SLA is defined as the contractual obligation between a service

provider and the consumer of the service (Yan, Kowalczyk, Chhetri, Goh & Zhang, 2007:749). An SLA therefore specifies a mutually agreed understanding and expectations of how the service will be provided. The main things that are specified in a SLA are, firstly, service guarantees, which define both functional and non-functional guarantees of a service provision. Secondly, the interactions that need to be carried out are defined in order to specify the service to be provided. Thirdly, a set of quality of service constraints, such as time constraints, are agreed on in order to specify how well the service should be offered (Yan *et al.*, 2007:749). The absence of an SLA, as noted above, therefore does not bode well for SASSA and its internal audit function. The reason for this is that at the time of this study there was no service guarantees between recipients of the internal audit function's services and the internal audit function. Recommendations in this regard are reflected in Chapter seven of the study (cf. section 7.5).

6.4.1.15. Internal audit effectiveness

Khaled and Mustafa (2013:92) posit that there are various theories that can be used to develop a theoretical framework for internal audit effectiveness, namely agency, institutional and communication theories (cf. sections 2.4.5, 2.4.5.1, 2.4.5.2 & 2.4.5.3). 'Internal audit effectiveness' refers to the ability of internal auditors to achieve set objectives of the internal audit function (Badara & Saidin, 2014a:76; Badara & Saidin, 2014b:180). Similarly, Cohen and Sayag (2010:297–298) cite that the effectiveness of internal auditing is determined by the subjective evaluations given to the function by management. Enofe *et al.* (2013:163) posit that the internal auditor's work is not done until shortcomings have been corrected and remain corrected. Internal audit effectiveness in the public sector should thus be evaluated by the extent to which it contributes to the demonstration of effective and efficient service delivery, as this contributes to driving demand for improved internal audit services.

Effective internal auditing is necessary when undertaking independent evaluations of financial and operating information and of systems and procedures, as well as in providing useful recommendations for improvements when deemed necessary. Badara and Saidin (2014b:176) emphasise the importance of having an effective and efficient internal audit function by citing that, if an internal audit function carries out its work well, it serves as an effective means of monitoring and promoting a system of good governance within any institution. The findings presented above indicate that there have been some improvements in the effectiveness of SASSA's internal audit; however, there are still

shortcomings that relate to how the internal audit function schedules its audits, which conflict with those of the office of the Auditor-General. This status quo shows a lack of synergy between the function and the office of the Auditor-General. This in effect results in implementation challenges of the recommendations by the internal auditors and those made by the office of the Auditor-General.

6.4.2. Interviews and survey questionnaire: Themes emanating from the public policy implementation literature

Brynard (2005:16) remarks that each of the six policy implementation variables that make up the '6C protocol', namely content, context, commitment, capacity, clients and coalitions, and communication is connected to and influenced by the others to different degrees depending on the particular implementation situation. The variables in relation to the themes that emerged from the interviews and survey questionnaire data are discussed below, in the process identifying any theory–practice gaps that may exist at SASSA.

6.4.2.1. Content

A policy can be distributive, regulatory or redistributive (cf. section 3.2.4). It is thus important to understand the type of policy that is being implemented for successful implementation (Brynard, 2005:16). The PFMA can be classified as a regulatory policy, as it specifies the rules that officials in public institutions need to adhere to in the management of public finances, including the implementation of an internal audit function. Both the senior and junior internal audit managers indicated that they understood their roles and what was required of them in terms of the law that governed their work. However, the findings indicated, firstly, that the Agency's internal audit function is not involved in promoting a culture of fraud risk awareness. In this regard, Treasury Regulations: PFMA require that, in their three-year rolling strategic internal audit plans, internal audit functions should take into account the operations of an institution, including its risk management strategy, which must include a fraud prevention plan (National Treasury, 2005:81–82). Secondly, the respondents cited that internal audit plans in the Agency are developed from risk registers provided to the internal audit function by the Agency's Risk Management department, indicating that the internal audit function is not actively involved in the identification of risks. It must be noted that in terms of SASSA's structure (cf. Figure 5.2), the internal audit function and Risk Management department fall within the same branch, and both report to the audit committee. However, they are

separate functions. On this point, Treasury Regulations: PFMA require internal audit functions to develop three-year rolling strategic internal audit plans, based on the assessment by the internal audit function of key risks in the institution (National Treasury, 2005:82).

In addition, SASSA (2015:4) says that the Agency's internal audit function should assist the Agency with identifying, evaluating and assessing institutional risks as well as provide assurance on the effectiveness of internal controls. Although the research findings point to the fact that the work of SASSA's internal audit function is informed by risk registers, the risk registers are not developed in consultation with the internal audit function as required by Treasury Regulations: PFMA and as reflected in SASSA's annual internal audit plan, but the process is facilitated by the Risk Management department. This status quo is not in line with the PFMA, and this may indicate a lack of understanding of the content of the prescript that governs the Agency's internal audit function, namely the PFMA. The status quo could further explain the perception of interview respondents highlighted above, to the effect that the internal auditors do not understand the Agency and its work.

Although the Risk Management department leads the process of identifying risks in the Agency, the internal audit function's secondary involvement could assist the function in understanding the institution as well as the risks that they audit better. Ncgobo and Malefane (2017:81) argue that when internal auditors know and understand the activities of a public institution, they are able to build effective relationships, assess and improve the efficiency of risk management. In addition, the internal audit function would be able to contribute to the strengthening of internal controls and the integrity of governance processes (Ncgobo & Malefane, 2017:81).

6.4.2.2. Commitment

For successful policy implementation to take place, commitment is a crucial factor at all levels through which policy passes (Brynard, 2005:16). Both the senior and junior managers indicated that they were committed to carrying out their duties and do their part to ensure the successful implementation of the internal audit function in the Agency. This was illustrated by, amongst others, the improvements that the function had achieved considering the negative feedback that was given about its efficacy in 2013, compared to some of the positive feedback given in 2016. Additionally, the assessment by the Auditor-

General of SASSA's internal audit function and audit committee found that both were discharging their assurance roles (AGSA, 2016:139–140).

6.4.2.3. Human resource capacity

In this context, 'capacity' refers to the structural, functional and cultural ability to implement the policy objectives of government, that is, the ability to deliver public services intended to raise the quality of life of citizens in an effective way. This also relates to the availability of and access to, amongst others, resources such as human resources (Brynard, 2005:16). The issue of HR capacity in SASSA's internal audit function was found to be a concern to the extent that at the time of this research, there were 23 staff members in the function who are responsible for auditing the Agency's nine regional offices across the country. In addressing this issue, the Agency has entered into co-sourcing arrangements with external service providers. Table 6.1 above also indicates which audits have been co-sourced. Co-sourcing may assist in the short term; however, one of the disadvantages of using external service providers is that they may not have a full understanding of the functioning of a public institution, which may affect the quality of work they produce (cf. section 2.3.6).

6.4.2.4. Clients

It is important to take into account the opinions of interest groups during the policy implementation process. These opinions could result in a power shift, which might contribute to a corresponding shift in the implementation process (Brynard, 2005:16). In the context of the implementation of an internal audit function at SASSA, the clients of the function, who were interviewed during the current study, provided positive feedback, mainly about their dealings with the internal audit function. In this regard, it is also important to note that the function administers a questionnaire at the end of each audit engagement, in order to solicit feedback from its clients. On the other hand, shortcomings were also highlighted, which point to weaknesses in the internal audit function. Weaknesses highlighted included reactiveness and malicious compliance. For example, the SCM department, as a client of the internal audit function, was not able to confirm the significant role, which the internal audit function plays.

6.4.2.5. Communication

Communication is an important component of all the variables that form part of the implementation process (Brynard, 2005:16). The feedback from both senior and junior

managers above revealed that communication by the internal audit function was positive and that the function promotes open communication at all times. This was demonstrated by, amongst others, the feedback that was given, which indicates that managers who are audited are always afforded an opportunity to give input on provisional reports before these are finalised. However, the research also revealed that communication by the Agency's leadership was lacking when it came to providing feedback on the Agency's strategies. The Auditor-General also found that SASSA's leadership was lacking when it came to their responsibility to communicate policies and procedures to subordinates. The policies and procedures cited are important in enabling subordinates to understand the internal control environment, as well as ensure complete and accurate financial reporting (SASSA, 2013:104; 2016:68).

6.4.3. Interviews and survey questionnaire: Themes from financial misconduct literature

The next section considers the themes that emerged from the literature on financial misconduct in relation to current realities at SASSA, as gained from the research data above and from various secondary sources of information. Compliance with the PFMA or a lack thereof is thus highlighted, as well as any theory–practice gaps.

6.4.3.1. Number and type of financial misconduct cases reported per annum

SASSA (2016:14) shows that, during the period under review, 1 316 cases of financial misconduct, i.e. irregular and fruitless and wasteful expenditure, were reported. Written feedback sent to the researcher by SASSA indicated that the officials, who were found guilty of financial misconduct, encompassed all management levels, i.e. junior, middle and senior managers. The exact breakdown could not be provided as some of the regional offices did not provide the ranks of officials being investigated or those found guilty of financial misconduct. This despite the fact that the registers used to document the transgressors, require the ranks to be indicated. The above feedback is in line with one of the risks identified in Table 6.1 above, to the effect that the incomplete registering of matters to be considered by the FMB, had resulted in financial misconduct cases not being reported. The increase and existence of financial misconduct cases indirectly point to inadequate internal control measures.

6.4.3.2. Sanctions imposed on officials found guilty of financial misconduct

Pauw *et al.* (2002:337–340) highlight that, in order for corruption to take place, the following should be present: dishonesty, opportunity and motive (cf. section 2.2.4.6). Poor internal control measures create opportunities for financial misconduct, such as fraud. Fijnaut (2002:9) states that the prevalence of corrupt activities increases when individuals who commit such activities believe that if they were caught, there would be no serious repercussions. Section 76(1)(b) of the PFMA stipulates that if an official is found to be liable in law for committing an act that results in a state institution suffering damages, the losses must be recovered from the official (National Treasury, 2005:32–33). Written feedback from SASSA indicated that the sanctions imposed on officials found guilty of financial misconduct are that some are required to pay for the damages or losses suffered by the state. Other officials who are found guilty of financial misconduct are referred to the Labour Relations department who will take further appropriate action (especially if the FMB is of the view that their actions were more than just contradicting the PFMA).

Furthermore, SASSA (2016:52) shows that the Agency, through its FMB, identifies and records all cases of financial misconduct, as well as take applicable action against guilty officials. However, the Auditor-General found that SASSA had neglected its responsibility concerning taking reasonable steps that would prevent irregular expenditure. The researcher believes that some of such reasonable steps could be:

- adequate internal control measures;
- an active internal audit function, including internal audit reports that add value; and
- adequate policies to prevent irregular expenditure.

In addition, it was found that SASSA did not take action against transgressors (AGSA, 2015:239).

6.4.3.3. SASSA's internal audit function in establishing sound internal controls

The role of audit committees in promoting accountability, strengthening the internal and external audit functions, financial management, and overall governance is emphasised (Sarens & De Beelde, 2006:459; Badara & Saidin, 2014b:178; Nevondwe *et al.*, 2014:268). It is further emphasised that in public financial management, 'internal control systems' refers to various management tools that aim to achieve, amongst other things, compliance with rules and regulations. In addition, internal control systems ensure that the financial information of an institution can be relied upon as well as enable the operations of an institution to run effectively and efficiently (Sarens & De Beelde,

2006:463; Allen *et al.*, 2013:374).

Furthermore, Kuye *et al.* (2002:194) state that institutional features, such as outdated policies and procedures as well as inadequate supervision, might create opportunities that make it easy for officials to commit unethical acts.

A sound internal control framework is thus aimed at assuring the public that government operations have achieved basic fiduciary standards in areas such as averting the misuse and inefficient use of financial and human resources, preserving assets, achieving budget objectives, avoiding fraud as well as ensuring that financial information is produced on time and is reliable (Sarens & De Beelde, 2006:463; Allen *et al.*, 2013:374). Similarly, National Treasury (2005:81–82) asserts that an internal audit function must assist the accounting authority of a public entity in maintaining effective controls by evaluating those controls to determine their effectiveness and efficiency, and by developing recommendations for enhancement or improvement. The controls that are subject to evaluation are –

- the information systems environment;
- the reliability and integrity of financial and operational information;
- the effectiveness of operations;
- safeguarding of assets; and
- compliance with laws, regulations and controls.

The feedback from interviews and survey questionnaire above showed that, at the time of the study, SASSA's internal audit function did promote ethics. SASSA (2015:3) highlighted that one of the roles of its internal audit function is to promote ethics and values. Similarly, Coram *et al.* (2008:546) state that an internal auditor plays an important role in the ethical culture of a public institution, and as such is a key governance tool in protecting public institutions from internal criminal behaviour. However, Sambo and Webb (2017:147) emphasise that the role of an internal audit function in promoting an ethical culture is indirect, that is, the work of internal auditors does not directly result in an ethical culture. Instead, if internal auditors perform their work as expected, this may contribute to an ethical institution.

Internal auditors should thus take on an active role in supporting the ethical culture of their institutions through recommending controls that would assist in detecting the

misappropriation of resources. However, it was also noted above (cf. section 2.4.2.1) that ideally, individuals should operate at post-conventional or principled level, where they make conscious decisions to define moral values (Kohlberg, 1971:2). However, this is not always the case, and this reality has necessitated functions such as an internal audit function, which are tasked with recommending adequate institutional internal controls.

Furthermore, SASSA (2016:30) and AGSA (2016:139–140) noted that during the period under review, the Agency had achieved an unqualified audit outcome, with findings on compliance with legislation. The findings on compliance with legislation related to irregular expenditure, which was recorded at just over R1 billion in the 2015/16 financial year up from R93 million during the 2014/15 financial year. ‘Irregular expenditure’ refers to expenditure that is incurred in violation of applicable legislation such as the PFMA, the State Tender Board Act (Act No. 86 of 1968) (RSA, 1968) and any other legislation that informs procurement procedures (RSA, 1999a:8). It must also be noted that irregular expenditure is regarded as financial misconduct, which is an unethical act (Pauw *et al.*, 2002:24).

Part of the R1 billion recorded as irregular expenditure was an amount of R74 million, which was paid to a service provider who was appointed to conduct forensic audits, for a period of three years. The appointment of the service provider has subsequently been set aside by a High Court, which found that SCM processes were flouted, when the contract was awarded. It is also concerning that the Auditor-General found that SASSA’s accounting authority (CEO), was lacking in exercising sufficient review and oversight to ensure compliance with applicable legislation (SASSA, 2016:16). The R1 billion recorded as irregular expenditure during the 2015/16 financial year as highlighted above is an indication of weaknesses in the internal control environment. Here it is the responsibility of an internal audit function to make recommendations. Recommendations on this aspect will be considered in Chapter seven of the study.

6.5. CONCLUSION

In this chapter, the fifth objective of the study was considered. The data collected through interviews, survey questionnaire and a focus group discussion, which represented general perceptions and views of selected SASSA employees on the Agency’s internal audit function, was analysed and interpreted. Firstly, one-on-one personal interviews with senior internal audit managers were conducted. Secondly, interviews were held with other

senior managers in some areas in the Agency that have been identified as strategic high-risk areas. Thirdly, junior internal audit managers completed survey questionnaires that comprised open-ended questions. Lastly, a focus group discussion was held with some officials from the SCM team. The questions in the interview schedule, the survey questionnaire and the focus group discussion were informed by constructs from the literature and relevant empirical documents. In addition, relevant documents pertaining to SASSA's internal audit function, such as the internal audit plan and annual reports, were considered. Furthermore, other relevant information to the study was requested from SASSA in writing, as such information was not readily available. This included inter alia information on financial misconduct cases.

The second section of the chapter considered the themes that were identified from the interviews, survey data, focus group discussion and other secondary sources of information in relation to themes from the literature that the researcher reviewed, in terms of the internal audit function, financial misconduct and policy implementation. This consideration also included the identification of theory–practice gaps. The consideration of internal audit and financial misconduct literature in relation to themes that emerged from the data revealed that some of the conditions for an effective internal audit function, such as qualifications of audit committee members and the involvement of the audit committee in the finalisation of the audit plan, are in place. However, there are challenges, such as irregular expenditure, which continues to take place in the Agency. In addition, the clients of the internal audit function, such as the members of the SCM team were of the view that, at the time of this research, there was no effective working relationship between the internal auditors and auditors from the office of the Auditor-General, which has led to duplication of efforts and inefficiencies in the internal audit function. Recommendations on how this status quo could be addressed are made in Chapter seven.

The consideration of the 6C protocol of policy implementation in relation to the data collected revealed that the Agency's internal audit function has made some progress on its implementation of the internal audit function. This can be seen in aspects such as the communication abilities of the internal audit function within the Agency and the manner in which members of the function engage with their clients. Challenges were identified in the area of HR capacity and inadequate financial resources.

CHAPTER SEVEN

RECOMMENDATIONS AND CONCLUSION

7.1. INTRODUCTION

Following the research considering the role that an internal audit function could play in averting financial misconduct at SASSA operations in Gauteng, recommendations based on the findings can be made. This research was necessitated by the need to understand the role that an internal audit function could play in achieving one of the four objectives of the PFMA to ensure that waste and corruption in the use of public financial resources is reduced. It is important to emphasise that regardless of how well a system of internal controls is designed and implemented, it can only provide reasonable and not complete assurance.

The research design for the study guided the researcher in the process of collecting, analysing and interpreting observations. The research design and method for the study was the qualitative methodology, and the approach for the operational framework for data collection was the case study approach.

This chapter considers the sixth and last objective of the study by making recommendations and conclusions. The recommendations focus, firstly, on what SASSA should do to improve the implementation of its internal audit function; and, secondly, on how the PFMA and its regulations should be amended to ensure effectiveness of internal audit functions of the public sector at large.

An overview of the study by way of answers to the research questions is provided. Additionally, recommendations referred to above and comments on the findings of the research are presented. Finally, the contribution and benefit of this study to the discipline of Public Administration, but more specifically to the sub-discipline of Public Finance, are described.

7.2. OVERVIEW OF THE STUDY

This section considers an overview of the study, which is presented in the form of answers to the research questions. This is necessary in order to provide closure of what the researcher sought to examine.

7.2.1. Background and rationale

The background to and rationale for the study provided in this section summarises Chapter one of the thesis, which was the general introduction of the thesis and was developed from the research proposal of the study, as submitted and approved by the Unisa Department of Public Administration and Management's Higher Degrees Committee. In providing the background and rationale for the study, the following aspects were considered: *Motivation for the study*: The discussion on the motivation for the study emphasised the reasons why the researcher deemed this study necessary. Issues of financial misconduct are rampant in South Africa's public sector at large. The case study for the research, SASSA, is tasked with the distribution and payment of social grants to 31% of the South African population. The Agency is also vulnerable to occurrences of financial misconduct, especially because the Agency distributes large sums of public money on a monthly basis to indigent households. *Research design and methodology*: An overview of the research design and methodology was provided. The methodological approach adopted for the study to address the research questions, was outlined.

Definition of terms: Important terms used throughout the study, for instance 'accounting authority' and 'irregular expenditure' were defined in order to clarify these terms to readers of the thesis. *Ethical considerations*: A reflection on the ethical considerations was provided, which also confirmed that ethical clearance for the study conducted was obtained from the university. *Overview of chapters*: An overview of the chapters that make up the study was presented in order to introduce readers to the structure of the research.

This study was thus necessary as it aimed to provide a framework to answer the research question under investigation, which was:

What are the necessary conditions under which the internal audit function at SASSA could be improved?

In line with the above main research question for the study, the main research objective was articulated as follows:

To establish the necessary conditions under which the internal audit function could be improved at SASSA.

The research conducted and presented in this thesis aimed to answer the research questions and address the objectives of the study. In order to assure closure of the research conducted, the sub-questions for the research are answered in this chapter. At the same time, the sub-objectives of the study, which emanated from each of the sub-questions, are also addressed below.

7.2.2. Research question one

What has been published on the internal audit function and financial misconduct?

In Chapter two of the study, a reflection on the realisation of the first literature review objective of the study was introduced, namely, to consider what has been published on the internal audit function. This was derived from the sub-research question, namely, what has been published on the internal audit function? In this chapter, the researcher reported on literature that addressed the central themes of the study, that is, financial misconduct and internal auditing. The aim was to locate the study within the body of literature, which considers the role of internal auditing in improving internal controls to contribute to the curbing of financial misconduct.

Firstly, literature on the internal audit function was discussed in detail (cf. section 2.3). The review of the literature on the internal audit function focused on, amongst others, the evolution of the function, which is explained by authors such as Sarens and De Beelde as well as Wilson and Root. These authors argue that the internal audit function has moved away from only evaluating the correctness of financial transactions and ensuring that institutions comply with applicable laws and regulations, which can be considered *ex post facto*. More recently, the function started playing a role of ensuring that efficiency, effectiveness and economy are achieved in institutions through providing recommendations for future action, which is an *ex ante* perspective.

Other authors, such as Allen, Hemming and Porter as well as D'Silva and Ridley, have cautioned that the advisory services provided by the contemporary internal auditor have an inherent danger of undermining internal auditor independence. By way of example, if auditors provide advice in developing internal control systems, it may be difficult for them to remain independent whilst checking whether the same systems are operated according to prescribed policies and standard operating procedures in the future. In addressing this concern, Alzeban and Sawan as well as Courtemanche, amongst others, believe that the

present-day internal audit function can maintain its independence through the creation of reporting lines that promote the independence of the function, such as direct access to a board or audit committee.

In addition, it is important for internal auditors to have access to the necessary documents that are required during audits. It was also emphasised that a balance needs to be found between assurance and expert advice services, in order for the internal auditor to maintain independence from management. The role played by audit committees in supporting the work of the internal audit function was also emphasised. It was pointed out that it is important that members of an audit committee have technical skills in areas such as accounting and ICT, in order for them to fulfil their roles adequately. The importance of assessing the performance of members of audit committees, using both self-assessments and independent assessments, was also accentuated.

Furthermore, it was found that effective internal controls, such as an internal audit function, could play an important role in providing management with recommendations for the improvement of internal controls. This is done through identifying any irregularities and considering how to prevent these from occurring in the future. As described above, this is because an internal auditor plays an important role in an institution's governance, by making recommendations for the establishment of internal controls that would prevent or reduce cases of financial misconduct.

An internal audit function is a key governance tool in protecting institutions from internal wrong behaviour, including financial misconduct. To this end, it was noted that there is a need for research in the area of internal auditing, more especially in developing countries, where internal auditing could play a critical role in providing recommendations for the institution of internal controls. The above essentially locates the study within the literature of internal auditing, which focuses on the role that the internal audit function can play from an *ex ante* perspective as opposed to *ex post facto*. In this context, it was necessary to clarify the term 'internal audit effectiveness'. Authors such as Badara and Saidin as well as Cohen and Sayag refer to internal audit effectiveness as the ability of internal auditors to achieve set objectives of the internal audit function. The achievement of the set objectives is determined by the subjective evaluations given to the function by management. Similarly, Enofe and colleagues are of the view that internal audit effectiveness in the public sector should be evaluated by the extent to which it contributes

to the demonstration of effective and efficient service delivery, as this contributes to driving demand for improved internal audit services.

Moreover, the researcher found that the attributes of an internal audit function, which have implications for the effectiveness of the internal audit function to be as follows:

- *performance of functions* – this refers to the quality of work produced by the function, which is enabled by the presence of skilled auditors amongst other things.
- *support by members of a public institution* – in this context, this relates to support that an internal audit function enjoys from senior management and the existence of an audit committee. The support that an internal audit function gets from senior management is important, as senior managers have to encourage their subordinates to implement recommendations by internal auditors. The existence of an audit committee is also important in promoting independence of the internal audit function.
- *Experience of the internal auditor*: this attribute assumes that an experienced internal auditor is likely to achieve good quality audits and make better recommendations.
- *Cooperation between internal and external auditors*: this attribute postulates that a good working relationship between internal and external auditors, where there is exchange of information, is for the benefit of a public institution. This is because the cooperation and coordination of activities by both parties would eliminate any duplication of effort, culminating in effective and quality audits.

Having considered the attributes of the internal audit function that have implications for the effectiveness of the function above, the researcher found that there was no conceptual framework provided by existing literature for evaluating the effectiveness of the internal audit function. The researcher therefore attempted to provide this framework. This will be reported on in the current chapter, and will essentially be the empirical or practical contribution of this study to the disciplines of Public Administration and Public Finance.

Lastly, the researcher provided a description of the debate on whether an internal audit function should be outsourced or co-sourced. The arguments for and against outsourcing or co-sourcing the function were highlighted. The description pointed to the fact that the main reason for outsourcing or co-sourcing the function is a lack of internal audit skills

within public institutions. However, it was emphasised that an internal audit function plays an important governance role in public institutions, and as such should at best not be outsourced.

Secondly, the researcher considered literature on financial misconduct. The description of financial misconduct focused on the various forms of financial misconduct as described by authors such as Pauw and his colleagues, Prechel and Morris as well as Fijnaut. One of the forms of financial misconduct considered was irregular expenditure (cf. section 2.4.1 & 2.4.2.3), which was in turn identified as a major challenge at the case study for the research (cf. section 6.4.3.3).

Under the discussion of financial misconduct, literature on ethics was considered, as incidents of financial misconduct are unethical acts, which manifest because of values of public officials and opportunities created by weak internal control mechanisms or a lack of these mechanisms. Nevondwe, Oduke and Tshoose emphasise that ethics are the foundation and reason for governance, as described in detail below.

Amongst many other authors considered under this discussion, Kuye and colleagues identified the causes of unethical behaviour, inter alia a lack of ethical awareness, which can be caused by ineffective communication between officials at lower levels and those higher up in the hierarchy. In addition, Badara and Saidin as well as Sarens and De Beelde, amongst others, remark that a lack of internal controls could also lead to unethical behaviour in institutions. Internal controls thus need to be strengthened in order to deal effectively with cases of financial misconduct (cf. section 2.4.2.4).

7.2.3. Research question two

What has been published on public policy implementation, new public management and governance?

Chapter three of the study presented a reflection on the realisation of the second literature review objective of the study, namely to reflect on what has been published on public policy implementation, as derived from the sub-question: What has been published on public policy implementation, new public management and governance? In this chapter, the researcher discussed literature on public policy implementation. This chapter provided the necessary grounding for the study, as it highlighted the different schools of

thought on policy implementation. The policy implementation literature inter alia reflected on variables that explain non-compliance with policy stipulations, which may lead to misconduct, including financial misconduct. It was deemed necessary to provide the theoretical framework on policy implementation, and this provided the researcher with a conceptual framework to review the implementation of the PFMA and its sections on the internal audit function. New Public Management (NPM), a reform strategy that aims to transform bureaucratic administrative systems was also considered. Under this consideration, the emerging management practices related to NPM, such as performance management, was described. Furthermore, this section highlighted that the implementation of NPM reforms may present increased opportunities for financial misconduct. Lastly, a reflection on Public Choice theory also took place. The theory explains the tendency of public officials to act in their own interest, which may lead to cases of financial misconduct, because of opportunities created by NPM related practices. In this regard, the internal audit function is believed to play a role in making recommendations for the institution of internal controls that would prevent or reduce financial misconduct.

In addition, it is important to emphasise that this was an empirical study, which aimed to solve a real-life problem on the implementation of the internal audit sections of an important policy in South Africa, the PFMA, including its regulations. The descriptions under the sections that considered the theory of policy implementation focused on the approaches to policy implementation, i.e. the top-down and bottom-up approaches as well as attempts at synthesising the two approaches.

Matland, Sabatier as well as Fischer, Miller and Sydney are amongst the authors who have written extensively on the aforementioned approaches to policy implementation. Although the top-down theorists are critical of the bottom-up approach and vice versa, the researcher made two important findings about the top-down approach. Firstly, it became clear that scholars who have researched the approach aim to reach a general theory of implementation. The general theory would allow scholars and practitioners to predict whether a policy is likely to be implemented successfully, enabling them to make recommendations for policymakers with a view of improving implementation. Secondly, top-down scholars believe that when a policy is promulgated, it will be implemented as intended. This belief was found to be a misnomer as implementers could actively work to thwart policy designers and their objectives.

Bottom-up studies, on the other hand, aim to explain the interactions and problem-solving strategies of stakeholders in policy delivery. These varying goals of the two approaches signify what each of the approaches can be used for. With regard to the attempts at synthesising the two approaches, that is, the top-down and the bottom-up approaches to implementation, Fischer highlights the various scholars who were previously regarded as either top-down or bottom-up scholars but over a period of time included perspectives from the other approach of which they were previously critical. An example of this is Wildavsky, who had been regarded as a top-down scholar, but later on presented a model that acknowledged that inputs might be changed during implementation, which is more the view of bottom-up scholars.

Parsons, on the other hand, is of the view that synthesising the top-down and bottom-up approaches to policy implementation may in fact not be necessary, as the approaches are each suitable under different circumstances. The researcher however believes that policies that are inherently top-down have to consider some of the variables put forward by the bottom-up approach, such as the importance of the skills of implementing officials as well as securing inputs from the so-called 'street-level bureaucrats', that is, the officials who are affected by policy stipulations (cf. section 3.2.1).

In Chapter three of the thesis policy evaluation was also considered. In that section, measures for successful policy implementation were considered through a conceptual framework for the implementation process. The first measure considered revolves around the manageability of the problems that a policy seeks to address. It was shown that, in order for the implementation of a policy to be successful, target groups must be small in size and the change that the policy seeks to achieve must be limited. However, the researcher is of the view that it may not always be possible that policy implementation will take place under these conditions. In this regard, an effort should still be made to ensure successful policy implementation even in circumstances where the target group is not small in size and the change that the policy seeks to achieve is not limited, which is the case with the PFMA.

The second measure considered the ability of policy designers to structure the implementation process favourably. This measure highlights the conditions that must be met in order for a policy to be implemented successfully. These conditions are as follows:

- clear and consistent objectives;

- incorporation of adequate causal theory;
- financial resources;
- hierarchical integration with and among implementing institutions; and
- decision rules of implementing agencies (cf. section 3.2.6.2).

The third measure referred to the net effect of different political variables in support of the policy objectives. This description highlighted the non-statutory variables that may affect the outcome of policy implementation. The variables are as follows:

- socio-economic conditions and technology;
- media attention to the problem;
- public support;
- attitudes and resources of constituency groups; and
- commitment and leadership skills of implementing officials (cf. section 3.2.6.3).

In addition, the researcher considered NPM, a reform strategy that has been referred to as the jettison of old traditional public administration, which emphasised bureaucratic functions, rules and regulations. The aim of NPM is to transform these bureaucratic administrative systems into a public sector that is effective, efficient and accountable. Pollitt and Bouckaert as well as Pfiffner are some of the authors who have written at length about NPM (cf. section 3.3). These authors consider the various tools that have been introduced in the public sector following the implementation of NPM. These are inter alia, business ideas, such as privatisation, project management and performance management. Another reform that has taken place under NPM is decentralisation of the delivery of public services, in order to improve the responsiveness of governments. NPM also emphasises outputs rather than processes, hands-on professional management, and the need to do more with less. One of the objectives of NPM is to deal with issues of public sector ethics and corruption, through integrating principles of transparency, accountability, effectiveness and efficiency in the management of public financial resources. Under NPM, lower-level managers are given more flexibility to use their own information and judgement to make decisions. Furthermore, managers are encouraged to take risks and be more entrepreneurial.

However, authors such as Anechiarico and Jacobs as well as Kolthoff and Van den Heuvel are of the view that the main vulnerability that has been associated with practices that are linked to NPM, such as contracting out, is the increase in opportunities for corruption. Amongst other forms of corruption, bribery of public officials by contractors has been found to be a common phenomenon, which has resulted in the delivery of public services becoming difficult and costly. In order to remedy the issues of corruption brought about by NPM-related practices, such as contracting out, it is argued that when government does business with private companies, care should be taken to ensure that such transactions take place in an effective and ethical manner. In such cases, an internal audit function has an important role to play in assisting management with identifying substantial control failures and formulating recommendations for improvement.

Lastly, the researcher considered governance, which is described by authors such Vafaei and Christopher, Frederickson as well as Nevondwe and his colleagues as a system for directing and controlling a public institution. Governance as an alternative to public administration first came to the fore in the mid-1970s, when it became known that people wanted less government and more governance. Governance emphasises the analysis of management problems in a strategic manner through a cycle of defining goals and objectives, identifying strengths and weaknesses, developing strategies, formulating as well as implementing and monitoring action plans.

Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as increase management accountability, which can go a long way to ensure that the objectives of sound financial management are achieved. However, the implementation of sound governance and financial management in the public sector is hampered by various managerial shortcomings. The shortcomings reflect amongst others, a lack of understanding of provisions of the PFMA and King codes (cf. section 3.4). The first King code on corporate governance (King I) was published in 1994. It established recommended standards of conduct for boards and directors of, amongst others, listed companies on the JSE and certain state-owned enterprises, such as Eskom. To date, four King codes have been issued. From the second King codes onward, they became applicable to all public institutions (cf. section 4.11).

Within the description of governance, authors such as D'Silva and Ridley, Coram, Ferguson and Moroney as well as Badara and Saidin also highlight the importance of effective internal controls and, specifically, internal audit functions, as these are a critical part of governance and have a significant positive influence on good governance. Research has also found that there is a strong correlation between unethical behaviour and the non-existence of internal controls. Key to maintaining good governance is an independent audit committee in the form of a board-level committee, which consists of a majority of independent members with the responsibility of providing oversight over management practices in key areas of an institution. It is also emphasised that the achievement of good governance is reliant upon effective leadership in an institution, and that public sector governance will improve when principles of accountability, fairness, responsibility and transparency are promoted and practiced. (cf. section 3.4).

7.2.4. Research question three

What is the nature of the statutory and institutional framework for the internal audit function and financial misconduct?

Chapter four considered the third objective of the study, that is, the nature of the regulatory and policy frameworks for the internal audit function and financial misconduct. The chapter began by describing the sections of the PFMA, which deal the internal audit function and financial misconduct, as these were the central themes of the current study. These descriptions assisted the researcher in understanding the stipulations of the PFMA on the internal audit function and financial misconduct. The Treasury Regulations: PFMA, which explain the application of the PFMA, specifically on the internal audit function and financial misconduct, were also thoroughly described, analysed and evaluated. The main themes that emerged under these discussions were that the accounting authority of public entities such as SASSA, that is, the CEO, has fiduciary duties in the institutions, as he or she is tasked with ensuring that there are adequate internal control measures in place.

However, financial misconduct continues to take place, and there are provisions in the PFMA for how these cases should be dealt with. This entails recovering the losses to the state from the person(s) who is/are found to be liable. In addition, section 51(1) of the PFMA requires accounting authorities of public entities to establish a system of internal audit that is managed by an audit committee (cf. section 4.3). Some of the key responsibilities of internal audit functions as prescribed by the PFMA are that internal

audit functions must assist accounting authorities with the maintenance of effective controls, determine the effectiveness and efficiency of these controls, as well as come up with recommendations for the improvement of the controls (cf. section 4.4).

Authors such as Pauw and his colleagues as well as Fijnaut describe various forms of corruption, amongst others, theft or embezzlement of state assets, fraud, which is a form of financial misconduct, and kickbacks (cf. section 2.4.2.3). In this regard, the various statutes and policy frameworks, under the government's anti-corruption strategy, aimed at dealing with unethical conduct by public officials, promote transparency, accountability, and good governance were described. These are inter alia the Prevention and Combating of Corrupt Activities Act, 2004 (Act No. 12 of 2004) which amongst other things provides for the establishment and endorsement of a register that places restrictions on people convicted of corrupt acts that relate to tenders and contracts. The Protected Disclosures Act, 2000 (Act No. 26 of 2000) stipulates procedures for employees in both private and public institutions when disclosing unlawful and irregular conduct by employers and/or colleagues. These statutes are thus key in government's overall strategy for dealing with corrupt acts, including financial misconduct by public officials.

It was also important that the chapter consider position of the IIA on the internal auditing profession, as this is the organisation that provides standards of conduct, regulates such conduct and has authority over the profession. In this regard, the code of ethics for internal auditors was considered. The code of ethics aims to provide assurance that internal auditors will conduct themselves ethically and professionally when carrying out their work. Lastly, the core competencies of the internal audit profession, such as the competencies of professional ethics, governance, risk and control were described. These competencies are critical as they ensure that internal auditors deliver good quality audit outcomes.

7.2.5. Research question four

What is the most appropriate research design and methodology for the study?

Chapter five addressed the fourth objective of the study and firstly focused on the research methodology applicable to the study. The study made use of the qualitative research methodology, as this was deemed appropriate for addressing the research problem and questions. Within the qualitative research methodology, there are various

traditions of inquiry that can be used, and the case study approach was found to be the suitable approach for answering the research questions and addressing the objectives of the study. The case study type deployed in the study was the single-case study approach. The shortcomings of case studies and, more specifically, single-case studies were described under the discussion on the limitations of the study. It is important to highlight these shortcomings again in this closing chapter.

Findings of case studies, as was the case in this study, cannot be generalised to other situations. The aforementioned shortcomings inherent in case studies are more prevalent with single-case studies, where the ability to generalise reasonably from these has been found to be an intricate matter. This reality is viewed by some as a major setback for case studies as a research methodology. However, measures can be taken to assure trustworthiness or authenticity of case study findings. Triangulation is one such measure, and was used in this study. Triangulation entails the mixing of data sources or methods of analysis when studying the same phenomenon. This is done in order to validate the results of a study. Authors such as Olsen and Jick as well as Patton all agree that studies that use only one data collection technique are more vulnerable to errors associated with the one technique, for example loaded interview questions and predisposed answers, compared to studies that use multiple techniques where different types of data provide opportunities for cross-data validity checks. In addition, it should be emphasised that the fact that knowledge may not be strictly generalised does not mean it cannot be part of the shared process of knowledge accumulation in a particular field or social order (cf. section 5.7).

7.2.5.1. Research question four

What is the nature of the case study of the research?

Secondly, Chapter five provided an overview of SASSA as the chosen case study for the research, and emphasised the importance of the work done by the Agency in providing social assistance to 31% of the South African population. The reasons why SASSA was deemed an appropriate institution in which to locate the research questions for the study were explained. These reasons included that SASSA as an agency of the DSD is tasked with the important responsibility of distributing and paying social grants as described above. In addition, the value of the social assistance programmes at the time of the research amounted to 3.2% of GDP. The importance of the work done by SASSA for

South Africans makes it necessary for the institution's internal audit function to prioritise the aversion of financial misconduct, which could interfere with this work.

The significance of the current study was also pointed out in relation to the case study on which the research was based, as well as in relation to the public service at large. It was noted that the PFMA is applicable to national and provincial government departments as well as public entities listed in Schedules 2 and 3 of the PFMA. However, it was not possible to consider the necessary conditions under which an internal audit function could play an advisory role to management for the establishment of internal controls in all of these institutions. Furthermore, an internal audit function relates to all areas of an institution. However, it was also not possible to interview all SASSA employees to get their views on the Agency's internal audit function. In this regard, the clients of the internal audit function who were interviewed were those in the Agency's areas that have been identified as strategic high-risk areas, such as supply chain management.

7.2.6. Research question five

How will the collected data be analysed and interpreted?

Chapter six considered the fifth objective of the study. The data collected through interviews, questionnaires and a focus group discussion, which represented general perceptions and views of selected SASSA employees on the Agency's internal audit function was analysed and interpreted. Firstly, one-on-one personal interviews with senior internal audit managers were conducted. Secondly, interviews were held with other senior managers in some of the Agency's areas that have been identified as strategic high-risk areas. Thirdly, junior internal audit managers completed a survey questionnaire, which constituted open-ended questions. Lastly, a focus group discussion was held with key individuals in the SCM team. The questions in the interview schedule, survey questionnaire and focus group discussion guide were informed by constructs from the literature, as well as relevant empirical documents. For example, the section of the interview schedule/questionnaire that dealt with organisational insights, was informed by the section of the literature that described the evolution of the internal audit function (cf. section 2.3.2), as well as the section of the case study that considered SASSA's vision, mission and strategy (cf. section 5.6.4).

In addition, an analysis of documents, such as SASSA's internal audit plan and internal audit policy, which includes the audit committee charter, was completed. By way of example, the annual internal audit plan is a critical document that details institutional risks that the internal audit function needs to consider. This consideration essentially entails internal auditors going to the various departments within the Agency to check their compliance with prescribed policies and standard operating procedures. Furthermore, other relevant information to the study was requested from SASSA in writing, as that information is privy only to some of the officials. This includes information on financial misconduct cases. In this regard, a breakdown of these cases was sent to the researcher, and this pointed to the fact that all levels of management in the Agency, that is senior, middle and junior managers, have been found guilty of financial misconduct.

The second section of the chapter considered the themes that were identified from the interviews, survey data, focus group discussion and document analysis. These themes were compared with the existing literature. Where these emerging themes conflicted with existing literature, opportunities were created to generate new insights and understanding. Building theory and creating new understandings and interpretations of reality however requires multiple-case studies, where common findings across the cases allow for generalisation of such findings. Multiple-case studies allow scholars to substantiate new findings, which could enhance the validity of a study. The findings in the current case study cannot be generalised to other set-ups as they emanated from a single case study. Further research is thus required for purposes of generalising the findings of this study and theory building.

The consideration of internal audit and financial misconduct literature in relation to themes that emerged from the data, pointed to the fact that some of the conditions for an effective internal audit function, such as qualifications of audit committee members, and the involvement of the audit committee in the finalisation of the internal audit plan, were in place. However, there were challenges, which will be highlighted in the framework for internal audit effectiveness below (cf. section 7.5), which included irregular expenditure, which continues to take place in the Agency. The PFMA has tasked internal audit functions with the role of assisting public institutions with the maintenance of effective controls. These controls must be evaluated to determine their effectiveness and efficiency. In addition, recommendations for enhancement or improvement of the said controls must be made by the internal audit function. The controls subject to evaluation

should inter alia encompass the reliability and integrity of financial and operational information, the effectiveness of operations, safeguarding of assets, and compliance with laws, regulations and controls.

Furthermore, it must be noted that the head of the internal audit function or CAE reports directly to the CEOs of public entities, as stipulated in the PFMA. Internal audit functions also report at audit committee meetings, which take place twice a year as stipulated in the PFMA. Although audit committees are deemed independent, audit committees do not have executive authority and can be overruled by the CEO who has the final executive authority. This reality may mean that the CEO or other executive managers may choose not to implement the recommendations of the internal audit function.

The consideration of the themes as noted above reflected on the 6C protocol of policy implementation in relation to the data collected. The consideration revealed that SASSA's internal audit function has made some progress on its implementation of the internal audit function. This can be seen in aspects such as the communication abilities of the internal audit function and the manner in which members of the function engage with their clients. Challenges were identified in the area of HR capacity and inadequate financial resources. In addition, the clients of the internal audit function were of the opinion that there was no effective working relationship between the internal auditors and auditors from the office of the Auditor-General. This, in their view, has led to duplication of efforts and inefficiencies in the internal audit function.

7.2.7. Research question six

What should SASSA do to improve the implementation of its internal audit function?

Research question six was a consideration of the recommendations that the researcher will make in this chapter. Based on the findings that were presented in Chapter six, recommendations on what SASSA should do to improve the implementation of its internal audit function will be made. In addition, recommendations in relation to the implementation of the PFMA and its regulations at SASSA will be made. Of importance here is that, although this study was carried out at SASSA, amendments to the PFMA will affect all public institutions to which the Act applies. This implies that the findings of this study will not only be of value to SASSA but also to the public service at large.

In responding to the above research questions, the following recommendations are made:

7.3. RECOMMENDATIONS

The next section considers recommendations on the concerns identified from the research findings.

7.3.1. Context and communication

Feedback from interviews as well as Auditor-General reports revealed that SASSA's leadership was lacking when it came to their responsibility to provide feedback on the strategic direction of the Agency as well as to communicate important policies and procedures to subordinates. The policies and procedures are important in providing the necessary context that would enable subordinates to understand the internal control environment, as well as to ensure complete and accurate financial reporting. It is important that the decisions that the leadership takes, which have an influence on the administration of the Agency, filter down to the officials whose work is affected by such decisions, as this provides context that needs to be taken into account in the carrying out of duties. Therefore, the leadership of the Agency needs to create communication channels that will allow feedback to flow down to the relevant officials.

7.3.2. Capacity

Human Resource capacity in SASSA's internal audit function was found to be a challenge. The Agency is addressing the challenge through co-sourcing arrangements. Co-sourcing may assist in the short term; however, one of the disadvantages of using external service providers is that they may not have a full understanding of a public institution's functioning, which may affect the quality of work they produce. Furthermore, the services of such service providers may come at a high cost to the Agency. The internal audit function needs to do a cost-benefit analysis to ascertain whether co-sourcing contributes to the achievement of the 'three Es', i.e. economy, efficiency and effectiveness. The results of this exercise will determine whether the Agency needs to appoint more staff on a full-time basis or continue with the co-sourcing arrangements.

7.3.3. Internal audit charter

The discussion on an internal audit charter (cf. section 6.4.1.2) highlighted the following: The PFMA does not pronounce on the assessment of the performance of members of audit committees. In addition, Treasury Regulations: PFMA do not refer to how the issue

of assessing the performance of audit committee members should be addressed. Audit committees are a key enabler in the effectiveness of internal audit functions. It is critical that the PFMA should stipulate who should assess the performance of audit committee members as well as how this should take place. It is believed that there is a likelihood that an effective audit committee, whose members' performance is regularly assessed, will ensure that the internal audit function for which it is responsible, is also effective. This aspect will be highlighted again in the framework for internal audit effectiveness that the researcher will provide below (cf. section 7.5).

7.3.4. The reporting line of the CAE

Whilst the dual reporting line of SASSA's internal audit function, namely to the CEO and to the audit committee complies with the PFMA, the reporting line contradicts what the literature suggests, i.e. that internal audit functions should maintain independence from management in order to be effective. The contradiction relates to the fact that the PFMA does not give audit committees executive decision-making authority; this instead lies with the CEO. The ability of internal audit functions to be independent from management is limited. The recommended amendment to the PFMA and its regulations in this regard will be made below.

7.3.5. Budget appropriation and approval for the internal audit function

Feedback from interviews alluded to the insufficiency of financial resources. It was also noted that the audit committee is not involved in deciding the budget allocation for the internal audit function. This shortcoming needs to be addressed, as the audit committee's involvement in the budget allocation contributes positively to the independence of the internal audit function. In its oversight role, the audit committee thus needs to ensure that sufficient resources are allocated to the internal audit function, and that the resources are spent. This is necessary as under-spending usually leads to underperformance and budget cuts in subsequent financial periods.

7.3.6. Composition of audit committee

It was noted above that all SASSA audit committee members are external to the institution and the public sector. This status quo may mean that the audit committee lacks the insight of what actually occurs within the Agency, and may thus not be able to make recommendations on aspects of which they are not aware. The Agency should thus consider appointing some internal members on its audit committee. Furthermore, the

PFMA states that only the majority of audit committee members should be external, not all. The status quo at SASSA at the time of the research could therefore be considered non-compliance with the Act.

7.3.7. Internal control weaknesses at SASSA

The occurrence of financial misconduct points to possible weaknesses in the internal control environment. Written feedback from SASSA pointed to the fact that senior managers in the Agency had also been found guilty of financial misconduct. In addition, the Auditor-General found that the Agency's leadership was lacking when it came to their responsibility to communicate policies and procedures aimed at enabling their subordinates to understand the internal control environment. These findings do not bode well for the Agency's leadership.

The internal audit function thus needs to play its role of assisting the Agency in identifying substantial control failures and the formulation of recommendations for improvements, in order to strengthen internal controls aimed at preventing or reducing cases of financial misconduct.

The issue of irregular expenditure, which was recorded at R1 billion during the 2015/16 financial year, was highlighted above. This indicates that the Agency did not have controls in place to detect or prevent such expenditure from taking place. Irregular expenditure means correct processes had not been followed when such expenditure was incurred and this could mean that efficiencies were not achieved in the process. Achieving efficiencies in the use of public financial resources is one of the objectives of the PFMA. In further consolidating the positive gains that SASSA's internal audit function has made thus far, the internal audit function needs to focus on making recommendations for the institution of controls that would prevent irregular as well as fruitless and wasteful expenditure from taking place. This coupled with amendments to the PFMA and its regulations on the authority of audit committees, which will be presented below, will significantly improve the effectiveness of the internal audit function.

7.3.8. Suggested amendments to the PFMA and Treasury Regulations: PFMA

Number	Current PFMA and Treasury Regulation: PFMA	Suggested wording of amendment	Motivation for the amendment
1	Section 77(b): Audit committees must meet at least twice a year.	Audit committees must meet at least once every month.	If audit committees were to have executive powers/authority as suggested below, they would need to meet more often in order to exercise these powers.
2	Regulation 27.1.10: The audit committee must report and make recommendations to the accounting authority.	The audit committee must report and make recommendations to the accounting authority. However, the accounting authority must report on the extent to which internal audit recommendations have been implemented. In the event of non-implementation, adequate reasons should be provided.	Currently, the accounting authority (CEO) may choose whether to implement internal audit recommendations or not. The status quo has the potential of rendering internal audit functions inept.
3	Regulation 27.2.1: The accounting authority must ensure that a risk assessment is conducted regularly to identify emerging risks of the public entity.	The accounting authority must ensure that a risk assessment is conducted regularly to identify emerging risks of the public entity. Institutional risks must be determined in consultation with the Risk Management and Internal Audit directorates.	This suggested amendment would provide internal audit functions with the necessary context regarding institutional risks, and in turn would render the function more effective.
4	Regulation 27.2.8: The internal audit	The internal audit function must report	This suggested amendment would give the audit committee executive

Number	Current PFMA and Treasury Regulation: PFMA	Suggested wording of amendment	Motivation for the amendment
	function must report directly to the accounting authority and shall report at all audit committee meetings.	directly to the audit committee and shall report to the accounting authority.	power/authority, in order to enforce the implementation of internal audit recommendations.
5	Currently no PFMA or Treasury: Regulations PFMA stipulation. Budget appropriation and approval for the internal audit function.	Proposed wording: The audit committee shall submit the budget proposals for the internal audit function on an annual basis in line with internal budget processes.	The audit committee's involvement in the allocation of the internal audit function's budget contributes positively to the independence of the internal audit function.
6	Currently no PFMA or Treasury: Regulations PFMA stipulation. Assessment of audit committee members' performance.	Proposed wording: The performance of members of audit committees shall be assessed on a quarterly basis by way of self-assessments and independent assessments.	The performance of audit committee members has to be assessed on an intermittent basis in order for the members to add value to the committees.

7.4. CONCEPTUAL FRAMEWORK FOR THE IMPLEMENTATION OF THE INTERNAL AUDIT FUNCTION

The conceptual framework for the implementation of the internal audit function presented below will serve the purpose of improving the implementation of the internal audit provisions of the PFMA at SASSA or any other public institution to which the PFMA applies. The conceptual framework is thus the researcher's contribution in providing the necessary conditions under which an internal audit function could improve its effectiveness. The framework describes these conditions, their interpretation as well as how they can be assessed.

Number	Condition	Interpretation of condition	Assessing the condition
1	An understanding of the prescripts that govern the functioning of an internal audit function.	Internal audit staff is required to demonstrate an understanding of the PFMA and Treasury Regulation: PFMA stipulations on the internal audit function, when carrying out their work (cf. section 6.4.2.1).	Internal audit staff's compliance with the requirements of the PFMA and Treasury Regulations: PFMA.
2	Commitment of internal audit staff	Internal auditors' commitment to carrying out their duties in the manner expected (cf. section 6.4.2.2).	The efforts of internal audit staff when carrying out their work demonstrates their commitment.
3	HR capacity	Sufficient human resources in the internal audit function in order to ensure that the internal audit plan is sufficiently implemented (cf. section 6.6.4.2.3).	Sufficient staff in the internal audit function, at any given time, to implement the 3-year rolling strategic internal audit plan. The number of staff required to implement the audit plan has to be stipulated in the internal audit plan.
4	Communication by internal audit	Internal auditors' ability to	Positive feedback from

Number	Condition	Interpretation of condition	Assessing the condition
	staff	communicate positively with clients and stakeholders, as well as to promote open communication (cf. section 6.6.4.2.5).	clients and stakeholders on their interactions with internal auditors.
5	Internal audit plan	An internal audit plan, which is signed off by the audit committee must be in place. The plan must cover all institutional risks (cf. section 6.4.1.1).	The majority of audits conducted should be those in the audit plan. Ad hoc audits must be in the minority. This is because the internal audit budget is informed by the audit plan, that is, ad hoc audits are not budgeted for, as they are not covered in the plan.
6	Process of identifying risks	The internal audit function must liaise with the Risk Management department in identifying and consolidating institutional risks. In addition, the identification of risks in the various departments/directorates needs to assume a bottom-up approach. The departments/directorates have to play a prominent role in identifying their own risks. This will enable them to take ownership of the risks and commit to managing the risks to acceptable levels (cf. section	Direct involvement of the internal audit function in identifying and consolidating institutional risks will enable the auditors to have a better understanding of risks. This is critical as the assurance role of internal auditors entails checking compliance with prescribed policies and standard operating procedures. If internal auditors understand institutional risks better, this will enable them to perform their work more effectively.

Number	Condition	Interpretation of condition	Assessing the condition
		6.4.2.1).	
7	Internal audit charter	An internal audit charter has to be in place in order to clarify the mandate and responsibilities of an audit committee. Furthermore, an internal audit charter has to specify how and by whom the performance of audit committee members should be assessed (cf. section 6.4.1.2).	Members of an audit committee must understand their mandate and responsibilities. In addition, the internal audit charter must stipulate that the performance of audit committee members must be assessed through self- and independent assessments. This will require that the PFMA be amended.
8	Follow-up mechanisms on internal audit recommendations and findings	Follow-up mechanisms on internal audit recommendations and findings give the internal audit function an opportunity to hold management to account for the implementation of recommendations (cf. section 6.4.1.3).	The internal audit function must use the follow-up mechanisms to hold managers accountable for the management of risks and implementation of recommendations to findings. This will require that the PFMA be amended.
9	Qualifications and experience of internal audit staff	Staff in the internal audit function needs to have the necessary qualifications in internal auditing. In addition, most of them must have adequate experience in line with their positions in the function. In this regard, the head of the	Firstly, all internal audit staff should have the necessary internal audit qualifications. Secondly, senior internal audit staff should be experienced and most importantly should have industry-specific experience.

Number	Condition	Interpretation of condition	Assessing the condition
		function has to have relevant industry-specific experience in order to be able to make recommendations that would add value to the institution (cf. section 6.4.1.4).	
10	Appointing and reporting line of the head of the internal audit function or CAE	The role of the audit committee in the appointment of a CAE and the reporting line of the incumbent (cf. sections 6.4.1.5 & 6.4.1.6).	An audit committee's involvement in appointing the CAE. The incumbent must report to the audit committee, in order to ensure independence from management This will require that the PFMA be amended.
11	Budget appropriation and approval for the internal audit function	The audit committee's involvement in deciding on the budget of the internal audit function (cf. section 6.4.1.7).	When the audit committee is involved in deciding on the budget of the internal audit function This will require that the PFMA be amended.
12	Cooperation between internal and external auditors	The working relationship between internal and external auditors (cf. section 6.4.11.2).	Cooperation between internal and external auditors in order to avoid duplication of effort.
13	Support by senior management	The role played by management in ensuring that management action items from audits are implemented (cf. section 6.4.11.3).	The managers of the various areas of an institution ensuring that internal audit findings are addressed and recommendations are implemented.
14	Policies and procedures for an	The existence of an	The work of an internal

Number	Condition	Interpretation of condition	Assessing the condition
	internal audit function	internal audit function policy and procedures that direct its work and activities (cf. section 6.4.1.8).	audit function itself has to be assessed against the function's policies and procedures.
15	Training undertaken by internal audit staff	Internal audit staff has to undergo continuous professional development training in order to keep abreast of developments in the profession. Training in developments specific to SASSA is also important, in providing institution-specific context (cf. section 6.4.1.9).	The application of knowledge gained from the training in internal audit work.
16	Composition of audit committee	An audit committee that has members with the right mix of qualifications and a balance between external and internal members of the audit committee (cf. section 6.4.1.10).	Firstly, members of an audit committee having the right combination of qualification ranging from inter alia finance to accounting, legal and information systems. Secondly, the inclusion of both internal and external members in the committee. Internal members have the necessary insights of what is happening in the public sector and would add value to the committee.
17	Audit committee meetings	Frequency of audit committee meetings (cf. section 6.4.1.11).	Audit committee meetings taking place at least once every month, in order for the committee to discharge

Number	Condition	Interpretation of condition	Assessing the condition
			its oversight role This will require that the PFMA be amended.
18	Service level agreement	Service level agreements between the internal audit function and the various directorates/departments. The SLA must contain the main elements of a SLA (cf. section 6.4.1.14).	The existence of an SLA with all the necessary elements (cf. section 6.4.1.14).

The research findings in Chapter six showed that SASSA's internal audit function has some of the above conditions in place. The conditions that were already in place included policies and procedures for the internal audit function, as well as positive communication skills by internal auditors. However, most of the conditions were absent. These were inter alia cooperation between internal and external auditors, the composition of the audit committee (which, at the time of this research, was made up of external members only), as well as a lack of human and financial resources. Going forward, the internal audit function needs to address the shortcomings that have been identified, which are within its scope of control. Suggested amendments to the PFMA, as highlighted above, have to be addressed by the National Treasury.

7.5. CONTRIBUTION OF STUDY TO THE DISCIPLINE OF PUBLIC ADMINISTRATION

This study on the significance of an internal audit function in the public service has taken place at a crucial time in South Africa. After 23 years of democracy and 18 years of PFMA implementation, a study that considered the necessary conditions for the improvement of an internal audit function was necessary. As per the requirements of a doctoral study, this study contributes at two levels: theoretical and empirical or practical level. At theoretical level, the researcher developed data collection instruments, which other researchers could improve and use in their research. In this regard, a consideration of the scientific practices of the study, which explains the weaknesses perceived by the researcher in the

data collection instruments, upon reflection is provided below.

At empirical level, the study contributes to the conceptualisation of a framework for internal audit effectiveness. Furthermore, most of the recommendations made here, are aimed at addressing internal audit challenges that were identified at SASSA. Recommendations in terms of amendments to the PFMA and/or Treasury Regulations: PFMA will benefit all public institutions that are governed by the PFMA. It is thus believed that the study will make an important contribution towards improving internal audit effectiveness in the South African public sector at large. At secondary level, it is expected that improved internal control measures will contribute to the reduction in the number of financial misconduct cases in the public sector.

In addition, the study contributes to the competency framework for internal auditors (cf. section 4.11). Specific reference can be made to items 1 and 2 under the competency 'Business acumen' as follows:

1. Maintains an understanding of the institution and its risks.
2. Maintains industry-specific knowledge appropriate to audit engagements (cf. Table 4.5).

The policy implementation literature (cf. section 3.2) inter alia highlighted the importance of understanding the content of policies that are implemented, as a condition for successful implementation. In this regard, internal auditors at SASSA need to understand the provisions of the internal audit sections of the PFMA and its regulations, in order to do their work effectively.

The literature on NPM (cf. section 3.3) emphasised that the effect of introducing business-like approaches in the public sector, which are associated with the implementation of NPM, has resulted in an increase in incidents of corruption. There is therefore a greater need for effective internal audit functions in order to assist with the identification of substantial control failures as well as the formulation of recommendations for improvement. It is further believed that if internal auditors have a better understanding of public sector reforms, such as NPM, they are more likely to be effective in their jobs.

7.5.1. Reflecting on the scientific practices (meta science)

The data collection instruments (interview schedule, survey questionnaire and focus group discussion guide) that the researcher developed for this study are the researcher's

scientific contribution to knowledge. However, upon reflection, the researcher acknowledges that these instruments can be improved upon and refined for future use. Specific reference is made to the focus group discussion guide where it is acknowledged that questions 1 and 3 could have been drafted differently.

By way of example, question 1 could have been more specific and could have clarified that the activity of auditing involves inter alia checking compliance with policies and procedures as well as coming up with recommendations in an effort to address any shortcomings identified. Although the researcher is of the view that the focus group discussion participants understood what was asked, the reader might find the questions ambiguous. In addition, the researcher found that in some instances, responses to questions were subjective, especially where these could not be triangulated with other data sources. Particular reference is made to the section that dealt with SASSA's audit committee on the interview schedule for senior internal audit managers. Some of the responses to the questions could not be verified against other data sources, and this presents a weakness in the data in this particular section. In addition, some questions on the interview schedule and survey questionnaire on several sections such as the section 'internal audit delivery' appear to be statements as opposed to questions.

7.6. DIRECTIONS FOR FUTURE RESEARCH

As explained above (cf. section 5.7), the limitations of this study were that SASSA as the chosen case study for the research is a large organisation and as such, the research could not be conducted in all of its offices. Similar studies in the future could be conducted in other regional offices of the Agency, or in national and/or provincial service delivery departments, since this study was undertaken in a public entity. Other similar studies should be conducted at the National Treasury as the custodian of the implementation of the PFMA, in order to understand what the Treasury can do to change or amend the PFMA and Treasury Regulations: PFMA.

7.7. CONCLUSION

This section concludes the thesis reporting on the internal audit function at SASSA's operations in Gauteng. The chapter thus addressed the sixth and last objective of the study by making recommendations and conclusions. An overview of the study by way of summaries of the various chapters that make up the thesis was provided. These summaries provided answers to the research questions. Additionally, recommendations

and comments on key findings of the research were provided. Finally, the contribution and benefit of the findings to the discipline of Public Administration and Public Finance were described, showing the inherent value of the research conducted.

The demand for resources, especially financial, usually exceeds the supply thereof. Therefore, it is important that public financial resources be managed in a way that will achieve economy, efficiency and effectiveness. It was shown throughout the thesis that an internal audit function can make recommendations for the institution of internal controls in order to prevent or reduce the use of public financial resources in ways that do not achieve the three Es (efficiency, effectiveness and economy).

In concluding the chapter, it can be stated that some progress has been made by SASSA's internal audit function, especially when comparing the views of clients of the function, who were interviewed in 2013 and 2016 respectively. In addition, the Auditor-General noted improvements in the function, although there are still other challenges, such as a perception by the function's clients that the internal audit function does not add value, instead it does its work for compliance purposes only. Going forward, the internal audit function needs to dispel the above perception by adding value to its clients. This could be achieved through making valuable recommendations for the improvement of the internal control environment. The internal audit function could be able to make valuable recommendations if senior internal audit managers are familiar with the institution. Finally, a critical finding was the lack of any directives in the PFMA and its regulations on who and how the performance of members of audit committees in the public sector should be assessed. As noted above, this shortcoming has to be addressed by the National Treasury in the form of an amendment to the PFMA and Treasury Regulations: PFMA.

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APPENDICES

APPENDIX 1: PROOF OF ETHICAL CLEARANCE OBTAINED FOR THE STUDY

07 May 2013

REF: PAM/2013/SAMBO

DEPARTMENT OF PUBLIC ADMINISTRATION AND MANAGEMENT
RESEARCH ETHICS COMMITTEE

This is to certify that the application for ethics clearance submitted by

Ms. Vaola Sambo

Student Number 32783116

for the doctoral study

Implementing the Public Finance Management Act, 1999 (Act No. 1, 199)

In the South African Social Security Agency

has received ethics clearance from the Research Ethics Committee of the Department of Public Administration and Management, CEMS. The committee met and deliberated on 02 May 2013 and found the application for ethics clearance to meet all prerequisites. This approval will be sent to the CEMS Research Ethics Committee for notification.

For the Committee,

Darrell Myrick

Prof. D. Myrick

Acting Chair PAM Ethics Committee

myricd@unisa.ac.za



APPENDIX 2: NEXUS SEARCH RESULTS



Current and Completed Research Projects : Search Results

The role of internal auditing in the organisational performance of the Rwanda Revenue Authority (RRA)

Authors: Buregeya P (Pascal)
Status: Completed
Year of completion: 2008
Notes: MTech (Internal Auditing) -- University of Pretoria
Language: English
Subjects: Accounting
Auditing

Abstract: This study provided an analysis of the role of internal auditing in the organisational performance in the Rwanda Revenue Authority. The aim of the study was to demonstrate the importance of the internal audit as well as the contribution of internal audit in improving the performance of the organisation. A wide selection of literature was reviewed on the role and importance of internal audit and the performance of the organisation. Qualitative research methods such as literature studies, questionnaires and interviews were used towards answering the research questions and attaining the objectives of the study. In order to enhance the validity and reliability, a variety of instruments were used to collect the data, that of questionnaires and interviews. The questionnaires were distributed to all senior and middle managers and all internal auditors in the RRA. Managers and auditors were also interviewed in order to help them fully comprehend the topic under research. This interview, also aimed at compensating for the eventual shortcomings of the questionnaires. Computer spreadsheets were used to analyze the responses to the questionnaires. On the basis of the data collected and interpreted, a number of findings and conclusions were made and presented. Almost all the respondents agreed on the importance of the role played by internal audit in improving the RRA performance. This study concluded that the RRA internal audit has to continue improving its work in terms of the quality of the work done, to expand its services to all domains and advise the organisation on its performance. This will uplift the RRA and ensure that this organisation will serve as an example to other organisations. For that, the recommendations are made to improve its contribution in organisational performance. The findings of the study were listed and thereafter recommendations were made on the findings. Suggestions for further research on the same topic were also made.

Internal auditing in enhancing risk management in the Rwandan Social Security Fund (RSSF)

Authors: Rudasingwa J (Justin)
Status: Completed
Year of completion: 2007
Notes: MTech -- Tshwane University of Technology
Language: English
Subjects: Accounting
Auditing
Publication(s) : Dissertation

A structured technique for applying risk based internal auditing in information technology environments (with specific reference to IIA RBIA, King Report and CobiT)

Authors: Wheeler S (Sonya)
Status: Completed
Year of completion: 2006

2. 6.2015

Current and Completed Research Projects: Search Results

1/8

Notes: MAcc (computer Auditing) -- Stellenbosch University
Language: English
Subjects: Accounting
 Auditing
Publication(s) : Dissertation
Abstract: A technique that may be used to incorporate Risk Based Internal Auditing (RBIA) in the IT environment is to follow annual audit planning methodology steps. The IT infrastructure elements are linked to the business processes which they support. Their ranking are based on the risks assessments of the business process, the business process priority, the dependency of the business process on IT and the IT infrastructure element's own risk assessment. CobiT is used as a auditing method, i.e. best practice guidance to audit against.

Internal auditing and communication : a South African perspective

Authors: Fourie H (Houdini)
Status: Completed
Year of completion: 2006
Notes: MTech -- Tshwane University of Technology
Language: English
Subjects: Accounting
 Auditing
Publication(s) : Dissertation

Utilising the balance scorecard for strategic role enhancement of internal auditing

Authors: Rousseau AFV
Status: Completed
Year of completion: 2005
Notes: MCom -- University of Johannesburg (Auckland Park Campus)
Language: English
Subjects: Business administration / Business leadership
 Business management and policy
Publication(s) : Dissertation

Die rol van interne audit en 'n ouditkomitee van Senwes Beperk = The role of internal auditing and a auditing committee of Senwes Limited

Authors: Janse van Rensburg JJ
Status: Completed
Year of completion: 1999
Notes: MBA -- Potchefstroom University for Christian Higher Education
Language: Afrikaans
Subjects: Accounting
 Auditing
 Economics
 Agricultural economics
Publication(s) : Dissertation
Abstract: Determines the bearing of the King Report on the role and function of both the internal audit division and the audit committee. Another objective is to develop models by which the internal audit division and the audit committee can measure themselves. Literature studies have been undertaken in respect of the role and function of an internal audit division and an audit committee and in respect of specific references in the King Report to internal audit and audit committees. The chief internal auditor and the chairman of the audit committee have been interviewed. Two models have been developed for the internal audit division and the audit committee, based on the requirements of the King Report, relevant literature and the interviews. It is believed that the objectives of the research have been reached.

Professional internal auditing in the public sector

Authors: Du Toit HJ
Status: Completed
Year of completion: 1998
Notes: MA -- Stellenbosch University
Language: English
Subjects: Public administration
Public financial administration
Publication(s) : Dissertation
Abstract: Internal auditing in the public sector is still at an early stage of development. The internal audit profession has an important role to play by assisting management in the effective, efficient and economic achievement of goals and objectives. The hypothesis as formulated emphasises the relationship between professional internal auditing and organisational effectiveness. An investigation into the field of internal auditing has been undertaken. A study of the literature reveals that internal auditing is supported by four pillars, namely, achieving objectives, safeguarding and using assets, economic, effective and efficient execution of functions, and compliance with policy, prescripts and regulations. The literature also describes a definite process that is followed during an audit. Respondents indicate, in questionnaires, that effectiveness of management, financial information and compliance with controls must be subjected to internal auditing. The recommendations are aimed at promoting accountability and transparency in the organisation.

Die identifisering van kritiese suksesfaktore vir 'n interne oudit departement van AECl = The identification of critical success factors for an internal auditing department for AECl

Authors: Smith P
Status: Completed
Year of completion: 1998
Notes: MBA -- Potchefstroom University for Christian Higher Education
Language: Afrikaans
Subjects: Business administration / Business leadership
Financial management
Accounting
Auditing
Publication(s) : Dissertation
Abstract: Focuses on the identification of critical success factors for the internal audit department of Kynoch. Group Internal Audit's responsibility and purpose is to provide a service that encompasses the examination of internal control within business and computer systems, undertaking audit investigations and providing an ongoing audit consultancy service. To achieve this and to maintain a competitive edge against outside outsourcing and consulting firms, the department must ensure agreement and alignment of its critical success factors with its clients. The main objective of this study is to identify those critical factors that ensure the success and existence of the department and the internal audit function. Other objectives include presenting a literature review of the role of internal audit within organisations, presenting a current analysis of audit services provided, identifying the determinants of critical success factors, and providing guidelines for the alignment of the critical success factors. The conceptual model forms the basis of the structure of the questionnaires used in the study. Findings are discussed and recommendations are made.

Diensleweringverbetering van 'n interne ouditdepartement deur 'n kliëntebehoeftebepaling = Improving the service provision of an internal auditing department by determining client needs

Authors: Van Biljon DP
Status: Completed

2. 6.2015

Current and Completed Research Projects: Search Results

3/8

Year of completion: 1995
Notes: MCom -- Rand Afrikaans University
Language: Afrikaans
Subjects: Business administration / Business leadership
 Business management and policy
 Business administration / Business leadership
 Marketing management
Publication(s) : Dissertation

Die toepassing van prestasiebestuur in die bestuur van 'n interne oudit departement = The application of performance management in the management of an internal auditing department

Authors: Van Deventer M
Status: Completed
Year of completion: 1994
Notes: MCom -- Rand Afrikaans University
Language: Afrikaans
Subjects: Business administration / Business leadership
 Business management and policy
Publication(s) : Dissertation

A quality assurance program for an internal auditing function

Authors: Potgieter JL
Status: Completed
Year of completion: 1994
Notes: MBA -- Potchefstroom University for Christian Higher Education
Language: English
Subjects: Business administration / Business leadership
 Management accounting
Publication(s) : Dissertation
Abstract: Develops a programme or model to be used by an internal auditing department as an aid to focus their quality assurance activities as efficiently and cost-effectively as possible on those aspects of the service and activities which will lead to the maximisation of the quality of the internal auditing department's services in the eyes of the most important clients (management). The literature study establishes that there are basically 15 criteria by which management can measure the quality of an internal auditing department's services. After testing the validity of the 15 criteria, a questionnaire has been drawn up consisting of 17 criteria (11 of the original 15, and 6 new criteria). These 17 criteria are regarded by management as being important, and influence management's perception of the general level of quality of the internal auditing department's services. After analysing the research data, these 17 criteria have been reduced to five, representing the most important criteria. Tables and a graph showing the results of the optimisation process are drawn up, and a quality assurance programme consisting of ten steps is formulated. The suggested quality assurance programme can be used as a guideline by the internal auditing department to maximise the quality of the services by focusing the limited available funds and manpower on those criteria which make the greatest contribution to client satisfaction.

'n Interne bestuursouditstelsel vir kapitaalprojekte van Sastech-ingenieursdienste = An internal management auditing system for capital projects of Sastech engineering services

Authors: Van Deventer GJ
Status: Completed
Year of completion: 1990
Notes: MBA -- North-West University (Potchefstroom Campus)

2. 6.2015

Current and Completed Research Projects: Search Results

4/8

Language: Afrikaans
Subjects: Business administration / Business leadership
Management accounting
Publication(s) : Dissertation
Abstract: The objective of this study was to determine whether an internal management audit system some or all the obstacles in the way of a smooth performance Sastech engineering services. External auditors normally undertake a financial audit, but on request they will also perform an audit on management functions. It is recommended that every alternative year an internal management audit should be done for the whole company. Three audits should be conducted on projects depending on their size. They should consist of a pre-capital approval audit. A continuous project audit and a post-audit. The continuous project audit in turn should consist of two main phases: the determining of the current status of the project and the forecasting of its outcome. This management auditsystem should be computerized.

'n Interne stelsel van prestasie-ouditering vir tegniese kolleges onder beheer van die Departement van Onderwys en Opleiding = An internal system of performance auditing for technical colleges under the control of the Department of Education and Training

Authors: Lubbe J
Status: Completed
Year of completion: 1989
Notes: PhD -- Vista University
Language: Afrikaans
Subjects: Education
Administration of education (from primary to secondary level)
Publication(s) : Thesis
Abstract: The right of existence of any educational institution is dependent on the objectives for which it was established. The central theme of this study is the compilation of an instrument for measurement or evaluation to determine whether technical colleges under the control of the Department of Education and Training successfully attain their objectives. As the Government of the R S A accepted performance auditing in the public sector, an accountable internal system of evaluation of results, based both on education and auditing principles, had to be devised. Firstly the objectives and philosophy of the Department and its hierarchical structure down to technical colleges were examined and defined. In order to establish a basis for the study, it was necessary to find a scientific management and evaluation system. The investigation led to the adoption of the management by objectives and results system. In order to develop such a system, it was necessary to determine functional objectives for technical colleges. A study was made of existing and relevant methods of evaluation of results in the auditing profession, the public sector, education and within the Department of Education and Training. It appears that in education very little attention is devoted to evaluation of results. Much has been done in this regard by the auditing profession. For the completion of this study, quite an extensive research on auditing as method of evaluation of results was thus necessary. The research led to the conclusion that performance auditing presents itself here par excellence as a system for evaluation. Attention was also devoted to certain international developments with regard to performance auditing. The drafting of a system of performance auditing for technical colleges necessitated the grouping of the 90 functional objectives in processes of policy-making, organising, financing, staff matters, work procedures and control. A standard of performance for each functional objective was also determined. Finally, an evaluation report in the form of a performance audit report, was designed by awarding values to functional objectives and deciding on a scale of evaluation. By using the report it will be possible to determine quantitatively how economically, efficiently and effectively a technical college is functioning.

Internal auditing's role in the performance management of national government departments

Authors: Moodley A
Status: Current

2. 6.2015

Current and Completed Research Projects: Search Results

5/8

Year of commencement: 2014
Notes: DCom (Auditing) -- University of South Africa
Language: English
Subjects: Accounting
 Cost Accounting
 Accounting
 Management accounting
Publication(s) : Thesis

The relationship between internal auditing and management in selected government departments

Authors: Agyemang JK
Status: Current
Year of commencement: 2013
Notes: MPhil (Accounting Financial Accounting) -- University of South Africa
Language: English
Subjects: Accounting
 Finances of public institutions
 Accounting
 Auditing
Publication(s) : Dissertation

The role of the auditor-general in the auditing of municipal internal control systems with reference to the City of Johannesburg

Authors: Ncobo P
Status: Current
Year of commencement: 2013
Notes: MPA -- University of South Africa
Language: English
Subjects: Accounting
 Auditing
Publication(s) : Dissertation

The role of internal auditing in providing combined assurance : assessing internal financial controls

Authors: Lewis I
Status: Current
Year of commencement: 2012
Notes: Master of Commerce -- University of Pretoria
Language: English
Subjects: Accounting
 Auditing
Publication(s) : Dissertation

Strategic alignment of business and information technology from an internal auditing perspective

Authors: Mantey ON (Otu Nicholas)

2. 6.2015

Current and Completed Research Projects: Search Results

6/8

Status: Current
Year of commencement: 2009
Notes: DCom -- University of Pretoria
Language: English
Subjects: Accounting
Auditing
Publication(s) : Thesis

The effectiveness of internal auditing functions in the public sector in Kenya

Authors: Owour AE
Status: Current
Year of commencement: 2009
Notes: DCom (Auditing) -- University of South Africa
Language: English
Subjects: Accounting
Auditing
Publication(s) : Thesis

The standing of and demand for internal auditing in South Africa

Authors: Coetzee GP
Status: Current
Year of commencement: 2006
Notes: Non-Qualification -- University of Pretoria
Language: English
Subjects: Accounting
Auditing
Publication(s) : Research report

Corporate perception of the internal auditing activity : a South African perspective

Authors: Reilly Y
Status: Current
Year of commencement: 2003
Notes: DCom -- University of South Africa
Language: English
Subjects: Accounting
Auditing
Publication(s) : Thesis

Gehaltebeheer binne interne ouditfunksies en die toepassing daarvan in Suid-Afrika = Quality control within internal auditing functions and its application in South Africa

Authors: Marais M
Status: Current
Year of commencement: 2000
Notes: MCom -- University of South Africa
Language: Afrikaans

2. 6.2015

Current and Completed Research Projects: Search Results

7/8

Subjects: Accounting
Training and education
Publication(s) : Dissertation

The global aspects of internal auditing and in particular, the positive role that I.A. is playing in meeting the challenges for business in our region

Authors: Hoole H
Status: Current
Year of commencement: 2000
Notes: Non-qualification -- Nelson Mandela Metropolitan University (Summerstrand Campus North)
Language: English
Subjects: Accounting
Auditing
Publication(s) : Report

Comparative study report no. 14: Comparing South African drafts ED-SAAS 400 Risk Assessments and Internal Control and ED-SAAS 500 Audit Evidence to AU 204 Audit Evidence, AU 231 Compliance procedures, AU 240 Substantive procedures, AU 265 Analytical review and AU 270 Timing of auditing procedures and to IFAC International ISA 400 Risk Assessments and Internal Control and ISA 500 Audit Evidence

Authors: Van Esch SD
Status: Current
Year of commencement: 1996
Notes: Non-qualification -- University of the Witwatersrand
Language: English
Subjects: Accounting
Auditing
Publication(s) : Report
Research outputs: Auditing Standards published by SAICA, July 1996 as SAAS 4000

APPENDIX 3: PROQUEST SEARCH RESULTS



1. Influence of board of directors' and board's subcommittees attributes on performance: An empirical evaluation of companies listed in KLSE

Mohd Saat, Nur Ashikin. *PQDT – Global* (2008).



2. Corporate governance, auditor choice and auditor switch: Evidence from China

Liu, Ming. *ProQuest Thesis and Theses* (2007).



3. The relation between corporate governance strength and fraudulent financial reporting

Archambeault, Deborah S. *ProQuest Thesis and Theses* (2000).



4. Audit committee director turnover

Singhvi, Meghna. *ProQuest Thesis and Theses* (2011).



5. Initial evidence on the association between municipal audit committees, governance and internal controls

Strickland, Pamela J.. *ProQuest Thesis and Theses* (2011).



6. Disclosure of information by companies as an aspect of investor/creditor protection

Ekome, Emmanuel Kang Etone. *PQDT – UK & Ireland* (1996).



7. Quality of annual corporate reports in an emerging economy: The case of Oman

Al-Kalbani, Marwa. *PQDT – Global* (2008).



8. Role of financial institutions in corporate governance of listed Chinese companies

Yuan, Rongli. *PQDT – Global* (2005).



9. Earnings management and the board's audit committee: The pre and post Sarbanes-Oxley experience

Barriga, Ramiro D. *ProQuest Thesis and Theses* (2010).



10. The reform of corporate governance: Major trends in the United States corporate board room, 1977–1997

Crawford, Curtis James. *ProQuest Thesis and Theses* (2000).



Corporate Stewardship: The "Buck" Stops with the Board

Westcott, Kathi S.. *ProQuest Thesis and Theses* (2015).



12. Director independence: The strategic disconnect between governance reform and firm performance

du Plessis, Charl J. A. *ProQuest Thesis and Theses* (2007).



13. Examination of Section 404 audit fees and effectiveness of internal control report under Auditing Standard No. 5

Pawarski, Richard. *ProQuest Thesis and Theses* (2010).



14. A critique of how developments within the auditing profession were integrated into higher education audit modules

Davies, M. *PQDT – UK & Ireland* (2011).

15. The missing component of corporate governance accountability in Canadian corporations

Koldewey, Burkhard J. *ProQuest Thesis and Theses* (1995).



16. An investigation of the determinants of audit committee effectiveness

Wayne, Paul F. *ProQuest Thesis and Theses* (2003).



17. An investigation of the audit committee and its role in monitoring information technology risks

Hadden, Linda Bauer. *ProQuest Thesis and Theses* (2002).



18. Isoquantal capital modulation: A harmonic modeling approach to understanding and managing the investment decision

McKibbin, William J. *ProQuest Thesis and Theses* (2005).



19. Agents of transparency: How sell-side financial analysts make corporate governance visible

Tan, Zhiyuan. *PQDT – Global* (2010).



20. Investigating risk reporting practices in egypt

Mokhtar, Ekramy Said. *PQDT – UK & Ireland* (2010).



APPENDIX 4: REQUEST TO CONDUCT RESEARCH AT SASSA

From: Fails <vaolasambo@gmail.com>

Date: 29 March 2012 8:01:58 PM SAST

To: "hesterw@sassa.gov.za" <hesterw@sassa.gov.za>

Subject: Request for permission to conduct research in SASSA

Dear Ms Petersen

My name is Vaola Sambo, I am a Doctoral student at UNISA. My research proposal on the implementation of the Public Finance Management Act (PFMA), has been approved. I have proposed to have SASSA be the case study in which the research is conducted.

I have thus been referred to you, to request permission to do the research in SASSA. I look forward to your feedback in this regard.

Kind Regard

Miss Vaola Sambo

APPENDIX 5: PERMISSION TO CONDUCT RESEARCH IN SASSA GRANTED



Date: 25/02/2013

Department of Public Administration and Management
UNISA
Pretoria

Dear Ms Viola Sambo

RE: REQUEST FOR PERMISSION TO CONDUCT A CASE STUDY ON THE
IMPLEMENTATION OF THE PUBLIC FINANCE MANAGEMENT ACT 1 of 1999 BY SASSA
MANAGEMENT

Your email to The South African Social Security Agency (The SASSA) requesting
permission to conduct a case study as mentioned above is noted and I have pleasure
to respond as follows.

In your study, particularly for purposes of your sampling strategy, it would be
necessary to consider the form of the organization, its geographical and structural
configuration and how these might impact upon the distribution of prospective
study participants and the resultant sampling strategy. The approved organization
and establishment of the South African Social Security Agency (The SASSA) comprises
head office, nine regions (geographical provinces), fifty-two district offices and
more than three hundred local offices. Managers at various levels are distributed
across these administrative layers, and responsibilities in terms of the Public Finance
Management Act vary accordingly. This suggests that you and the Department of
Public Finance and Management should decide on target management layers in
order to design a manageable sample for your current purposes.

Please be informed that we consider the study to be addressing a very significant
area of management and we look forward to the knowledge outcomes and
implementation recommendations from your study.

We have the pleasure to grant you permission to conduct the study within the South
African Social Security Agency.



*[paying the right social grant, to the right person,
at the right time and place. Ntjalo!]*

South African Social Security Agency
Head Office

SASSA House • 501 Proindisa Building Cnr Beatrix & Pretorius Street
Pretoria • Private Bag X55587 Arcadia • Pretoria 0083
Tel: +27 12 400 2000 • Fax: +27 12 400 2257
www.sassa.gov.za

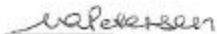
This permission is conditional upon the following:

1. That you submit a definite schedule of your activities
2. That your activities shall not disrupt daily activities of prospective interviewees.
3. That you shall obtain names of prospective interviewees
4. That you communicate with prospective interviewees well in advance to give them opportunity to adequately prepare for the interviews and survey questionnaires.

For further enquiries regarding names and contact details of prospective respondents of the study, please contact the following official:

Mr Paseka Letsatsi
General Manager: Communications and Communication Management SASSA
Tel: + 27 12 400 2000
E-mail: PasekaL@sassa.gov.za

Kind regards



Ms Virginia Petersen
Chief Executive Officer: The South African Social Security Agency
Date: 08/03/2013

APPENDIX 6: INTERNAL AUDIT SENIOR MANAGERS SAMPLED AND INTERVIEWED

INTERNAL AUDIT SENIOR MANAGERS		
Designation	Interview date	Respondent's name for research purposes
Senior manager: internal audit	10 October 2016	SA1
Senior manager: internal Audit	N/A	N/A
Senior manager: internal audit	N/A	N/A
Manager : internal audit	10 October 2016	SA2
Senior manager: internal audit	10 October 2016	SA3

APPENDIX 7: INTERVIEW SCHEDULE FOR SENIOR MANAGERS-INTERNAL AUDIT

UNIVERSITY OF SOUTH AFRICA
COLLEGE OF ECONOMIC AND MANAGEMENT SCIENCES
<u>QUALIFICATION</u>
Doctor of Literature and Philosophy (PhD)
YEAR: 2016
INTERVIEW SCHEDULE FOR RESEARCH TITLED
THE ROLE OF INTERNAL AUDITING IN AVERTING FINANCIAL MISCONDUCT: THE CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY
PERSONAL DETAILS
SURNAME: SAMBO NAMES: VAOLA TINYIKO
CONTACT DETAILS
CELL: NUMBER: 082 070 2392 E-MAIL ADDRESS VaolaSambo@gmail.com
SUPERVISOR
PROFESSOR W. N. WEBB

I am a PhD candidate at the University of South Africa (UNISA), College of Economic and Management Sciences and as a part my studies, I am collecting data, through various methods which include a questionnaire .The design and methods of my study are detailed in the table below. My research is conducted under the supervision of Professor W. N. Webb of the College of Economic and Management Sciences at UNISA.

Methodology	Research study
Approach	Qualitative
Design	Survey
Method: Data collection	Survey questionnaire with open-ended questions and interviews

Method: Data analysis	Content analysis
-----------------------	------------------

The objectives of my study are as follows:

1. To consider the literature that has been published on the internal audit function and policy implementation.
2. To consider the regulatory and institutional frameworks for financial misconduct, the internal audit function and individual internal auditors.
3. To consider the importance of the work done by SASSA.
4. To outline the research design and methodology for the study.
5. To analyse the data from the data collecting techniques employed in the study.
6. To make recommendations on key findings from the research, conclude the study and determine the contribution that the study has made to knowledge.

The study has great potential to develop new standards and guidelines for public service internal auditors. With regard to ethical issues (cf. attached informed consent letter) guiding the study, the researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher education institutions in South Africa. This means that:

- Respondents are not required to disclose their identity;
- The information collected from the respondents will be used for purposes of this research only;
- The respondents in this study are not in any way going to be appraised, demoted or promoted on the basis of their participation in this research; and
- Respondents have the right to participate and withdraw their participation in the study at any time.

SECTION A- BIOGRAPHICAL INFORMATION

Please remember that your name will remain anonymous and the information provided by you in this section will also remain confidential and anonymous and will only be used for the purpose of this research only.

1. INDICATE YOUR GENDER

1	Male	
2	Female	

2. INDICATE YOUR YEARS OF SERVICE AT THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

1	0-5	
2	6-10	
3	10+	

3. WHAT IS YOUR HIGHEST QUALIFICATION?

1	
---	--

4. WHAT IS YOUR TITLE/POSITION? E.g. SPECIALIST: INTERNAL AUDIT

1	
---	--

5. WHAT IS THE SALARY LEVEL OF YOUR POSITION? E.g. LEVEL 1, 2, 3, 4, ETC.

1	
---	--

SECTION B

GUIDELINES TO PARTICIPANTS:

This research aims to understand SASSA's internal audit function in detail, based on your responses. The researcher estimates that it will take **1 hour 30 minutes** of your time to complete the questionnaire. There is no **RIGHT** or **WRONG** answer and your honest, **anonymous** opinion will be appreciated. The researcher is **NOT** asking about anything that you or any other SASSA personnel have done— she is merely seeking your **PERSONAL PERCEPTION/VIEW/UNDERSTANDING**.

Section 1-Questions in this section aim to understand the level of professionalism within SASSA's internal audit function, using some of the core internal audit competencies, as described by the literature and the Institute of Internal Auditors (IIA).

PLEASE PROVIDE YOUR PERSONAL PERCEPTION/VIEW/UNDERSTANDING PERTAINING TO SASSA'S INTERNAL AUDIT FUNCTION ON EACH OF THE STATEMENTS BELOW, **IN THE FORM OF A SHORT RESPONSE**.

1.1. Professional Ethics

The competency of professional ethics aims to promote and apply professional ethics in the internal audit profession.

Statement 1: Do internal auditors in SASSA promote an ethical culture? If so, how do they do this? (An ethical culture is a culture that promotes what is considered right and proper behaviour of public officials, when carrying out their work).
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 2: Do internal auditors in SASSA discuss unethical occurrences such as fraud with the CEO and management? If so, how is this done?
Personal Perception/View/Understanding on the following, in the form of a short response: CEO (Please provide examples)- Management (Please provide examples)-
Statement 3: Do internal auditors in SASSA investigate institutional unethical occurrences such as fraud and suggest measures for resolution? If so, how is this done?
Personal Perception/View/Understanding on the following, in the form of a short response: Investigate institutional unethical occurrences (Please provide examples)- Suggest measures for resolution (Please provide examples)-

1.2. Governance, Risk and Control

The Institute of Internal Auditors calls for internal auditors to apply a detailed understanding of governance, risk and control that is appropriate to the institutions they work for.

Statement 1: Do internal auditors in SASSA understand their role with regards to promoting good governance? (Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as to increase management accountability)? If so, how is this demonstrated?
Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples):
Statement 2: Do SASSA's management responsible for the internal audit function ensure that internal audit activities

are aimed at addressing the risks that face the Agency? If so, how is this done?
Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples):
Statement 3: How often do SASSA's internal audit managers submit reports to the Agency's senior management detailing the risks that face the Agency from an internal audit point of view? Personal Perception/View/Understanding of the above in the form of a short response (Please provide examples):
Statement 4: How do internal auditors in SASSA promote a culture of fraud risk awareness within the Agency? (A culture of risk awareness is a culture which proactively raises awareness, with regards to both internal and external fraud risks that face an institution). Personal Perception/View/Understanding of the above in the form of a short response (Please provide examples):
Statement 5: Do internal auditors in SASSA evaluate the potential for fraud risks and ascertain common types of fraud associated with the institution? If so, how do they do this? Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Evaluate the potential for fraud risk (Please provide examples)- • Ascertain common types of fraud associated with the institution (Please provide examples)-

1.3. Organisational Insights

Internal auditors are required to maintain expertise of the institutional environment, industry practices and factors specific to institutions they work for.

Statement 1: How is confidentiality as one of the aspects of SASSA's values, evident in the work of the Agency's internal auditors?
Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples):
Statement 2: How does SASSA's internal audit function assist the Agency in fulfilling its mission of managing quality social security services to suitable and potential beneficiaries, effectively (set objectives are met) and efficiently (without wasting resources)? Personal Perception/View/Understanding on the following, in the form of a short response: Assist the Agency in managing quality social security services to suitable and potential beneficiaries, effectively (Please provide examples)- Assist the Agency in managing quality social security services to suitable and potential beneficiaries, efficiently (Please provide examples)--
Statement 3: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of complying with good governance principles (Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as to increase management accountability)? Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples)-:
Statement 4: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of operational excellence? (Operational excellence seeks to continuously improve activities in the workplace). Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples)-:

1.4. Communication

The communication competency considers the impact that an internal auditor's communication has on others.

Statement 1: Do internal auditors in SASSA communicate in a positive manner in order to secure institution members' trust? (Communicating in a positive manner includes having the ability to convey both negative and positive messages).
Personal Perception/View/Understanding of the above in the form of a short response (Please provide examples):-
Statement 2: Do internal auditors in SASSA promote open communication? If so, how do they do this?
Personal Perception/View/Understanding of the above in the form of a short response (Please provide examples):-
Statement 3: Do internal auditors in SASSA show others respect and customise messages to reflect the needs of the target audience? If so, how do they do this?
Personal Perception/View/Understanding on the following, in the form of a short response: Show others respect (Please provide examples)- Customise messages to reflect the needs of the target audience (Please provide examples)-
Statement 4: Do internal auditors in SASSA choose suitable forms of communication (verbal, non-verbal, visual, written), as deemed suitable to their different audiences?
Personal Perception/View/Understanding on the above in the form of a short response (Please provide examples):-
Statement 5: Do internal auditors in SASSA choose suitable forms of communication mediums (face to face, electronic, paper-based) as deemed suitable to their different audiences?
Personal Perception/View/Understanding of the above in the form of a short response (Please provide examples):-
Statement 6: Do internal auditors in SASSA discuss audit findings and their impacts professionally and confidently with senior managers and the CEO? If so, how do they do this?
Personal Perception/View/Understanding of the following in the form of a short response: Senior managers (Please provide examples)- CEO (Please provide examples)-
Statement 7: Do internal auditors in SASSA apply suitable communication skills during interviews? If so, how do they do this? (Suitable communication skills includes communication that is focused on relaying necessary information only, in a clear, simple and meaningful way).
Personal Perception/View/Understanding of the above in the form of a short response (Please provide examples):-

1.5. Persuasion and Collaboration

Persuasion and collaboration, considers an internal auditor's ability to persuade and motivate others.

Statement 1: There is effective cooperation between internal auditors in SASSA and external auditors (Auditor-General)?
Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples):-
Statement 2: Internal auditors in SASSA have integrity, are competent, independent and objective all the time?
Personal Perception/View/Understanding on the following, in the form of a short response (Please provide examples):- <ul style="list-style-type: none">• Have integrity (Please provide examples)--

<ul style="list-style-type: none"> Are competent (Please provide examples)-
<ul style="list-style-type: none"> Are independent (Please provide examples)-
<ul style="list-style-type: none"> Are objective all the time (Please provide examples)-
<ul style="list-style-type: none"> Statement 3: Do internal auditors in SASSA have difficulties accessing information they require to do their work? If so, what are these difficulties and what is done to address the difficulties?
Personal Perception/View/Understanding of the following, in the form of a short response: Are there obstacles? What is done to eliminate the obstacles?

1.6. Critical Thinking

Critical thinking competency applies process analysis, and problem solving techniques.

Statement 1: Do internal auditors in SASSA objectively analyse and evaluate information before forming a judgement? If so, how do they do this?
Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples):
Statement 2: Do internal auditors in SASSA propose strategies to improve institutional processes? If so, how do they do this?
Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples):
Statement 3: Which methods do internal auditors in SASSA use to analyse and evaluate the efficiency and effectiveness of institutional processes?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> Analyse and evaluate the efficiency of institutional processes (Please provide example)-
<ul style="list-style-type: none"> Analyse and evaluate the effectiveness of institutional processes (Please provide examples)-
Statement 4: Do internal auditors in SASSA support management in finding practical solutions to address issues identified through audit activities? If so, how do they do this?
Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):

1.7. Internal Audit Delivery

Internal audit delivery, considers the process of delivering internal audit engagements.

Statement 1: Internal auditors in SASSA follow-up with management to make sure that management action items that arise from audits that have been conducted are effectively implemented?
Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):
Statement 2: Internal auditors in SASSA follow-up with management to ensure that senior managers have accepted the risk of not implementing management actions from audits conducted?
Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):
Statement 3: Internal auditors in SASSA manage all resources efficiently to make sure that engagement objectives are met?

Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):
Statement 4: Internal auditors in SASSA develop, implement and monitor project plans to ensure that the delivery of audits takes place according to agreed timelines?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Develop project plans (Please provide examples)-
<ul style="list-style-type: none"> • Implement project plans (Please provide examples)-
<ul style="list-style-type: none"> • Monitor project plans (Please provide examples)-
Statement 5: How do internal auditors in SASSA assess the information/evidence they collect in the course of their work?
Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):
Statement 6: What are the key elements that form part of the audit findings that are presented by internal auditors in SASSA?
Personal Perception/View/Understanding on the above, in the form of a short response (Please provide examples):
Statement 7: The financial resources allocated to SASSA's internal audit function are adequate? (Adequate resources are sufficient resources needed for the work that the function has to carry out).
Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):
Statement 8: Senior management in SASSA support the work of the Agency's internal audit function through ensuring that the recommendations made by the function are implemented?:
Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):
Statement 9: SASSA's internal audit function is effective and efficient, that is, the function achieves its set objectives, and the objectives are achieved without wasting resources? If yes, please include examples, indicating what the function has done, that illustrates efficiency and effectiveness. If not, please indicate how the function plans to correct this?
Personal Perception on the following, in the form of a short response:
Internal audit function is effective (Please provide examples)-
Internal audit function is efficient (Please provide examples)-
Statement 10: Does SASSA's internal audit function operates from an <i>ex ante</i> perspective as opposed to an <i>post facto</i> perspective, that is, the function is proactive in coming up with internal control measures that are preventative in nature, as opposed to investigating issues that have already occurred?
Personal Perception/View/Understanding of the above, in the form of a short response (Please provide examples):

Section 2-Questions in this section aim to understand the level of professionalism of SASSA's Audit committee.

PLEASE PROVIDE YOUR PERSONAL PERCEPTION PERTAINING TO SASSA'S INTERNAL AUDIT FUNCTION ON EACH OF THE STATEMENTS BELOW:

Statement 1: SASSA's audit committee members exude the following attributes: sound judgment, objectivity and integrity, a healthy constructive scepticism, a high level of ethics; and strong communication skills?

Personal Perception/View/Understanding on the following, in the form of a short response:

- Sound judgment **(Please provide examples)-**
- Objectivity **(Please provide examples)-**
- Integrity **(Please provide examples)-**
- Healthy constructive scepticism **(Please provide examples)-**
- High level of ethics **(Please provide examples)-**
- Strong communication skills **(Please provide examples)-**

Statement 2: SASSA's audit committee is founded on the following three key pillars: compliance with its formal charter, the level of participation of audit committee members and the committee's ability to initiate value-adding activities and outcomes that are in line with SASSA's vision, statutory objectives, and strategies

Personal Perception/View/Understanding on the following, in the form of a short response:

- How does SASSA's audit committee ensure that it is in compliance with its audit committee charter? **(Please provide examples)-**
- What is the current level of participation by audit committee members, in audit activities? **(Please provide examples)-**
- Which value-adding activities and outcomes that are in line with SASSA's vision, statutory objectives, and strategies have been initiated by SASSA's audit committee? **(Please provide examples)-**

Statement 3: Are SASSA's audit committee members provided with orientation training within a reasonable time following appointment?

Personal View on the following, in the form of a short response:

- What are the objectives of the orientation training?-
- Does the orientation training take place within a reasonable time following appointment? If so, what is the time period within which it takes place, if not, what is done to correct this?-

Statement 4: How often is the performance of SASSA's audit committee assessed and by whom?

Personal View on the above, in the form of a short response:

Section 3- Please provide your personal perceptions on the following statements:

Please provide your views pertaining to the following variables as they relate to SASSA's internal audit function:

Human Resource capacity of internal audit department-

Commitment of internal audit staff to their work **(Please provide examples)-**

- Understanding of the content of internal audit work (what their work is about) **(Please provide**

examples)-
Understanding of the context, within which the internal audit function operates (political, economic, social, technological, legislative and environmental realities of the system that need to be taken into account in the process of carrying out internal audit work) (Please provide examples)-
Who the main clients of the internal audit function are in SASSA-
Please provide your personal perception regarding SASSA's leadership on the following elements:
Their ability to communicate with subordinates (Please provide examples)-
Their ability to create an environment that enables and supports an understanding of internal control functions, such as the internal audit function (Please provide examples)-
Commitment to their work (Please provide examples)-
Their leadership when it comes to ethical issues, that is, what is considered right and proper behaviour of public officials, when carrying out their work (Please provide examples)-

Section 4- Please provide your personal views on the following statements:

Statement 1: Treasury Regulations: PFMA 27.2.7 (a) requires public entities to have a three-year rolling strategic internal audit plan in place. Does SASSA have this in place, if so, who is responsible for developing the plan?
Statement 2: The PFMA requires internal audit functions (specifically the Chief Audit Executive) to report directly to the accounting authorities (CEO) of public entities. Is this the case in SASSA?
Statement 3: The internal audit function is required by the PFMA to report at all audit committee meetings. Is this the case in SASSA, if so, what are the main aspects that the function reports on at these meetings?
Statement 4: Section 77 of the PFMA states that audit committees must consist of at least three persons of whom, one must be from outside the public service. What is the composition of SASSA's audit committee (how many members are internal and how many are external)? If all members are external, what is the reason for this?
Statement 5: Section 77 of the PFMA states that audit committees must meet at least twice a year. How many times does SASSA's audit committee meet in a year?
Statement 6: Sections 76 (1) (b) of the PFMA states that if an official is found guilty of financial misconduct (irregular and fruitless and wasteful expenditure), the losses must be recovered from the official. How does SASSA deal with cases of financial misconduct?
<p>Statement 7: Sections 51(1) (a) (ii) and 76 (4) (b) and (e) of the PFMA require the following: Public entities must have a risk management strategy, which must include a fraud prevention plan, must be used to direct internal audit efforts, priorities as well as determine the skills required of managers and staff to improve controls and to manage risks.</p> <p>Please provide your personal views regarding SASSA's internal audit function on the following elements:</p> <ul style="list-style-type: none"> • SASSA has a risk management strategy? • The risk management strategy, includes a fraud prevention plan? • The risk management strategy directs internal audit efforts and priorities? • The risk management strategy determines the skills required of managers and staff to improve controls and to manage risks?
Statement 7.1: How often are risk assessments conducted in SASSA?
Statement 7.2: Is the risk management strategy in SASSA clearly communicated to all employees in order ensure that the risk management strategy is incorporated into the operations of the public entity? If so, how is this done? If not, what can be done to correct this?

Statement 7.3: Does SASSA's internal audit function assist the accounting authority (CEO) in maintaining effective controls? This includes evaluating those controls to determine their effectiveness and efficiency. If so, how is this done? If not, what can be done to correct this?

Statement 7.4: Does SASSA's internal audit function assist the accounting authority (CEO) in developing recommendations for enhancement or improvement of internal controls? If so, how is this done? If not, what can be done to correct this?

Statement 7.5: Does SASSA's internal audit function assist the accounting authority (CEO) in achieving the objectives of the institution? This includes evaluating and developing recommendations for the enhancement or improvement of the processes through which objectives and values of the institution are established and communicated. If so, how is this done? If not, what can be done to correct this?

THANK YOU FOR YOUR TIME!!

APPENDIX 8: OTHER SENIOR MANAGERS SAMPLED AND INTERVIEWED

Designation	Interview date	Respondent's name for research purposes
1. General manager: supply chain management	13 October 2016	SO1
2. Senior manager: grants accounting	04 June 2013	SO2
3. Senior manager: accounts payable	12 October 2016	SO3
4. General manager: finance	06 June 2013	SO4
5. Senior manager: supply chain management	06 June 2013	SO5
6. Acting senior manager: payroll	12 October 2016	SO6
7. Senior manager: asset management	13 October 2016	SO7
8. Assistant manager: payroll	12 October 2016	SO8
9. Acting general manager: supply chain management	05 June 2013	SO9
10. Senior manager: budgets	05 June 2013	SO10

APPENDIX 9: INTERVIEW SCHEDULE FOR OTHER SENIOR MANAGERS

UNIVERSITY OF SOUTH AFRICA
DEPARTMENT OF PUBLIC ADMINISTRATION
QUALIFICATION
Doctor of Literature and Philosophy (PhD)
YEAR: 2016
INTERVIEW SCHEDULE FOR RESEARCH TITLED
THE ROLE OF INTERNAL AUDITING IN AVERTING FINANCIAL MISCONDUCT: THE CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY
PERSONAL DETAILS
SURNAME: SAMBO
NAMES: VAOLA TINYIKO
CONTACT DETAILS
CELL: NUMBER: 082 070 2392
E-MAIL ADDRESS
VaolaSambo@gmail.com
SUPERVISOR
PROFESSOR W. N. WEBB

I am a PhD candidate at the University of South Africa (UNISA), Department of Public Administration and as a part my studies, I am collecting data, through various methods which include a questionnaire .The design and methods of my study are detailed in the table below. My research is conducted under the supervision of Professor W. N. Webb of the Department of Public Administration at UNISA.

Methodology	Research study
Approach	Qualitative
Design	Survey
Method: Data Collection	Open ended questionnaire and interviews
Method: Data Analysis	Content analysis

The objectives of my study are as follows:

1. To consider the literature that has been published on the internal audit function and policy implementation.
2. To consider the regulatory and institutional frameworks for financial misconduct, the internal audit function and individual internal auditors.
3. To consider the importance of the work done by SASSA.
4. To outline the research design and methodology for the study.
5. To analyse the data from the data collecting techniques employed in the study.
6. To make recommendations on key findings from the research, conclude the study and determine the contribution that the study has made to knowledge.

The study has great potential to develop new standards and guidelines for public service internal auditors. With regard to ethical issues (cf. attached informed consent letter) guiding the study, the researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher education institutions in South Africa. This means that:

- Respondents are not required to disclose their identity;
- The information collected from the respondents will be used for purposes of this research only;
- The respondents in this study are not in any way going to be appraised, demoted or promoted on the basis of their participation in this research; and
- Respondents have the right to participate and withdraw their participation in the study at any time.

SECTION A- BIOGRAPHICAL INFORMATION

Please remember that your name will remain anonymous and the information provided by you in this section will also remain confidential and anonymous and will only be used for the purpose of this research only.

1. INDICATE YOUR GENDER

1	Male	
2	Female	

2. INDICATE YOUR YEARS OF SERVICE AT THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

1	0-5	
2	6-10	
3	10+	

3. WHAT IS YOUR HIGHEST QUALIFICATION?

1	
---	--

4. WHAT IS YOUR TITLE/POSITION? E.g. SPECIALIST: INTERNAL AUDIT

1	
---	--

5. WHAT IS THE SALARY LEVEL OF YOUR POSITION? E.g. LEVEL 1, 2, 3, 4, ETC.

1	
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SECTION B

GUIDELINES TO PARTICIPANTS:

This research aims to understand SASSA's internal audit function in detail, based on your responses. The researcher estimates that it will take **45 minutes** of your time to complete the questionnaire. There is no **RIGHT** or **WRONG** answer and your honest, **anonymous** opinion will be appreciated. The researcher is **NOT** asking about anything that you or any other SASSA personnel have done— she is merely seeking your **PERSONAL PERCEPTION/VIEW/UNDERSTANDING**.

Section 1-Questions in this section aim to understand the level of professionalism within SASSA's internal audit function, using some of the core internal audit competencies, as described by the literature and the Institute of Internal Auditors (IIA).

PLEASE PROVIDE YOUR PERSONAL PERCEPTION/VIEW/UNDERSTANDING PERTAINING TO SASSA'S INTERNAL AUDIT FUNCTION ON EACH OF THE STATEMENTS BELOW, **IN THE FORM OF A SHORT RESPONSE**.

1.1. Professional Ethics

The competency of professional ethics aims to promote and apply professional ethics in the internal audit profession.

Statement 1: Do internal auditors in SASSA promote an ethical culture? If so, how do they do this? (An ethical culture is a culture that promotes what is considered right and proper behaviour of public officials, when carrying out their work).
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 2: Do internal auditors in SASSA discuss unethical occurrences such as fraud with the CEO and management?
Personal Perception/View/Understanding on the following, in the form of a short response: CEO- Management-
Statement 3: Do internal auditors in SASSA investigate institutional unethical occurrences such as fraud and suggest measures for resolution?
Personal Perception/View/Understanding on the following, in the form of a short response: Investigate institutional unethical occurrences- Suggest measures for resolution-

1.2. Governance, Risk and Control

The Institute of Internal Auditors calls for internal auditors to apply a detailed understanding of governance, risk and control that is appropriate to the institutions they work for.

Statement 1: Do internal auditors in SASSA understand their role with regards to promoting good governance? (Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as to increase management accountability).
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 2: SASSA's management responsible for the internal audit function ensure that internal audit activities are aimed at addressing the risks that face the Agency?

Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 3: How often do SASSA's internal audit managers submit reports to the Agency's senior management detailing the risks that face the Agency from an internal audit point of view?
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 4: How do internal auditors in SASSA promote a culture of fraud risk awareness within the Agency? (A culture of risk awareness is a culture which proactively raises awareness, with regards to both internal and external fraud risks that face an institution).
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 5: Do internal auditors in SASSA evaluate the potential for fraud risks and ascertain common types of fraud associated with the institution? If so, how do they do this?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Evaluate the potential for fraud risk- • Ascertain common types of fraud associated with the institution-

1.3. Business Acumen

Internal auditors are required to maintain expertise of the institutional environment, industry practices and factors specific to institutions they work for.

Statement 1: How is confidentiality as one of the aspects of SASSA's values, evident in the work of the Agency's internal auditors?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 2: How does SASSA's internal audit function assist the Agency in fulfilling its mission of managing quality social security services to suitable and potential beneficiaries, effectively (set objectives are met) and efficiently (without wasting resources)?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Assist the Agency in managing quality social security services to suitable and potential beneficiaries, effectively- • Assist the Agency in managing quality social security services to suitable and potential beneficiaries, efficiently-
Statement 3: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of complying with good governance principles (Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as to increase management accountability)?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 4: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of operational excellence? (Operational excellence seeks to continuously improve activities in the workplace).
Personal Perception/View/Understanding on the above, in the form of a short response:

1.4. Communication

The communication competency considers the impact that an internal auditor's communication has on others.

Statement 1: Do internal auditors in SASSA communicate in a positive manner in order to secure institution members' trust? (Communicating in a positive manner includes having the ability to convey both negative and positive messages).
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 2: Do internal auditors in SASSA promote open communication? If so, how do they do this?

Personal Perception/View/Understanding of the above in the form of a short response:
Statement 3: Do internal auditors in SASSA show others respect and customise messages to reflect the needs of the target audience? If so, how do they do this?
Personal Perception/View/Understanding on the following, in the form of a short response: <ul style="list-style-type: none"> • Show others respect- • Customise messages to reflect the needs of the target audience-
Statement 4: Do internal auditors in SASSA choose suitable forms of communication (verbal, non-verbal, visual, written), as deemed suitable to their different audiences?
Personal Perception/View/Understanding on the above in the form of a short response:
Statement 5: Do internal auditors in SASSA choose suitable forms of communication mediums (face to face, electronic, paper-based) as deemed suitable to their different audiences?
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 6: Do internal auditors in SASSA discuss audit findings and their impacts professionally and confidently with senior managers and the CEO? If so, how do they do this?
Personal Perception/View/Understanding of the following in the form of a short response: <ul style="list-style-type: none"> • Senior managers- • CEO-
Statement 7: Do internal auditors in SASSA apply suitable communication skills during interviews? If so, how do they do this? (Suitable communication skills includes communication that is focused on relaying necessary information only, in a clear, simple and meaningful way).
Personal Perception/View/Understanding of the above in the form of a short response:

1.5. Persuasion and Collaboration

Persuasion and collaboration, considers an internal auditor's ability to persuade and motivate others.

Statement 1: There is effective cooperation between internal auditors in SASSA and external auditors (Auditor-General)?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 2: Internal auditors in SASSA have integrity, are competent, independent and objective all the time?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Have integrity-
<ul style="list-style-type: none"> • Are competent-
<ul style="list-style-type: none"> • Are independent-
<ul style="list-style-type: none"> • Are objective all the time-
<ul style="list-style-type: none"> • Statement 3: Do internal auditors in SASSA have difficulties accessing information they require to do their work? If so, what are these difficulties and what is done to address the difficulties?
Personal Perception/View/Understanding of the following, in the form of a short response:
<ul style="list-style-type: none"> • Are there obstacles? <p>What is done to eliminate the obstacles?</p>

1.6. Critical Thinking

Critical thinking competency applies process analysis, and problem solving techniques.

Statement 1: Do internal auditors in SASSA objectively analyse and evaluate information before forming a judgement? If so, how do they do this?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 2: Do internal auditors in SASSA propose strategies to improve institutional processes? If so, how do they do this?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 3: Which methods do internal auditors in SASSA use to analyse and evaluate the efficiency and effectiveness of institutional processes?
Personal Perception/View/Understanding on the following, in the form of a short response:
Analyse and evaluate the efficiency of institutional processes-
Analyse and evaluate the effectiveness of institutional processes-
Statement 4: Do internal auditors in SASSA support management in finding practical solutions to address issues identified through audit activities? If so, how do they do this?
Personal Perception/View/Understanding of the above, in the form of a short response:

1.7. Internal Audit Delivery

Internal audit delivery, considers the process of delivering internal audit engagements.

Statement 1: Internal auditors in SASSA follow-up with management to make sure that management action items that arise from audits that have been conducted are effectively implemented?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 2: Internal auditors in SASSA follow-up with management to ensure that senior managers have accepted the risk of not implementing management actions from audits conducted?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 3: Internal auditors in SASSA manage all resources efficiently to make sure that engagement objectives are met?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 4: Internal auditors in SASSA develop, implement and monitor project plans to ensure that the delivery of audits takes place according to agreed timelines?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none">• Develop project plans-
<ul style="list-style-type: none">• Implement project plans-
<ul style="list-style-type: none">• Monitor project plans-
Statement 5: How do internal auditors in SASSA assess the information/evidence they collect in the course of their work?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 6: What are the key elements that form part of the audit findings that are presented by internal auditors in SASSA?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 7: The financial resources allocated to SASSA's internal audit function are adequate? (Adequate resources are sufficient resources needed for the work that the function has to carry out).

Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 8: Senior management in SASSA support the work of the Agency's internal audit function through ensuring that the recommendations made by the function are implemented?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 9: SASSA's internal audit function is effective and efficient, that is, the function achieves its set objectives, and the objectives are achieved without wasting resources? If yes, please include examples, indicating what the function has done, that illustrates efficiency and effectiveness. If, not, please indicate how the function plans to correct this?
Personal Perception on the following, in the form of a short response:
Internal audit function is effective-
Internal audit function is efficient-
Statement 10: SASSA's internal audit function operates from an <i>ex ante</i> perspective as opposed to an <i>post facto</i> perspective, that is, the function is proactive in coming up with internal control measures that are preventative in nature, as opposed to investigating issues that have already occurred?
Personal Perception/View/Understanding of the above, in the form of a short response:

THANK YOU FOR YOUR TIME!!

APPENDIX 10: JUNIOR MANAGERS SAMPLED AND THOSE WHO COMPLETED THE QUESTIONNAIRE

Designation	Completed questionnaire received	Respondent's name for research purposes
Specialist: internal audit	No	N/A
Specialist: internal audit	Yes	JA1
Specialist: internal audit	Yes	JA2
Manager : internal audit	No	N/A
Manager : internal audit	No	JA3
Manager : internal audit	Yes	JA4
Specialist: internal audit	Yes	JA4
Manager: ICT audit	No	N/A
Specialist: internal audit	No	N/A
Specialist: internal audit	Yes	JA5
Practitioner: internal audit	Yes	JA6
Practitioner: internal audit	No	N/A
Practitioner: internal audit	Yes	JA7
Specialist: internal audit	Yes	JA8

APPENDIX 11: QUESTIONNAIRE FOR JUNIOR MANAGERS – INTERNAL AUDIT

UNIVERSITY OF SOUTH AFRICA
FACULTY OF ECONOMIC AND MANAGEMENT SCIENCES
<u>QUALIFICATION</u>
Doctor of Literature and Philosophy (PhD)
YEAR: 2016
<u>SURVEY QUESTIONNAIRE FOR RESEARCH TITLED</u>
THE ROLE OF INTERNAL AUDITING IN AVERTING FINANCIAL MISCONDUCT: THE CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY
<u>PERSONAL DETAILS</u>
SURNAME: SAMBO NAMES: VAOLA TINYIKO
<u>CONTACT DETAILS</u>
CELL: NUMBER: 082 070 2392 <u>E-MAIL ADDRESS</u> VaolaSambo@gmail.com
<u>SUPERVISOR</u>
PROFESSOR W. N. WEBB

I am a PhD candidate at the University of South Africa (UNISA), Faculty of Economic and Management Science, and as a part my studies, I am collecting data, through various methods which include a questionnaire .The design and methods of my study are detailed in the table below. My research is conducted under the supervision of Professor W. N. Webb of the Department of Public Administration at UNISA.

Methodology	Research study
Approach	Qualitative
Design	Survey
Method: Data Collection	Open ended questionnaire and interviews
Method: Data Analysis	Content analysis

The objectives of my study are as follows:

1. To consider the literature that has been published on the internal audit function and policy implementation.
2. To consider the regulatory and institutional frameworks for financial misconduct, the internal audit function and individual internal auditors.
3. To consider the importance of the work done by SASSA.
4. To outline the research design and methodology for the study.
5. To analyse the data from the data collecting techniques employed in the study.
6. To make recommendations on key findings from the research, conclude the study and determine the contribution that the study has made to knowledge.

The study has great potential to develop new standards and guidelines for public service internal auditors. With regard to ethical issues (cf. attached informed consent letter) guiding the study, the researcher pledges strict adherence to ethical conduct as it applies to academic research projects in higher education institutions in South Africa. This means that:

- Respondents are not required to disclose their identity;
- The information collected from the respondents will be used for purposes of this research only;
- The respondents in this study are not in any way going to be appraised, demoted or promoted on the basis of their participation in this research; and
- Respondents have the right to participate and withdraw their participation in the study at any time.

SECTION A- BIOGRAPHICAL INFORMATION

Please remember that your name will remain anonymous and the information provided by you in this section will also remain confidential and anonymous and will only be used for the purpose of this research only.

1. INDICATE YOUR GENDER

1	Male	
2	Female	

2. INDICATE YOUR YEARS OF SERVICE AT THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

1	0-5	
2	6-10	
3	10+	

3. WHAT IS YOUR HIGHEST QUALIFICATION?

1	
---	--

4. WHAT IS YOUR TITLE/POSITION? E.g. SPECIALIST: INTERNAL AUDIT

1	
---	--

5. WHAT IS THE SALARY LEVEL OF YOUR POSITION? E.g. LEVEL 1, 2, 3, 4, ETC.

1

SECTION B

GUIDELINES TO PARTICIPANTS:

This research aims to understand SASSA's internal audit function in detail, based on your responses. The researcher estimates that it will take up to 1 hour of your time to complete the questionnaire. There is no **RIGHT** or **WRONG** answer and your honest, **anonymous** opinion will be appreciated. The researcher is **NOT** asking about anything that you or any other SASSA personnel have done— she is merely seeking your **PERSONAL PERCEPTION/VIEW/UNDERSTANDING**.

Section 1-Questions in this section aim to understand the level of professionalism within SASSA's internal audit function, using some of the core internal audit competencies, as described by the literature and the Institute of Internal Auditors (IIA).

PLEASE PROVIDE YOUR PERSONAL PERCEPTION/VIEW/UNDERSTANDING PERTAINING TO SASSA'S INTERNAL AUDIT FUNCTION ON EACH OF THE STATEMENTS BELOW, **IN THE FORM OF A SHORT RESPONSE**.

1.1. Professional Ethics

The competency of professional ethics aims to promote and apply professional ethics in the internal audit profession.

Statement 1: Do internal auditors in SASSA promote an ethical culture? If so, how do they do this? (An ethical culture is a culture that promotes what is considered right and proper behaviour of public officials, when carrying out their work).

Personal Perception/View/Understanding of the above in the form of a short response:

Statement 2: Do internal auditors in SASSA discuss unethical occurrences such as fraud with the CEO and management?

Personal Perception/View/Understanding on the following, in the form of a short response:

- CEO-
- Management-

Statement 3: Do internal auditors in SASSA investigate institutional unethical occurrences such as fraud and suggest measures for resolution?

Personal Perception/View/Understanding on the following, in the form of a short response:

- Investigate institutional unethical occurrences-
- Suggest measures for resolution-

1.2. Governance, Risk and Control

The Institute of Internal Auditors calls for internal auditors to apply a detailed understanding of governance, risk and control that is appropriate to the institutions they work for.

Statement 1: Do internal auditors in SASSA understand their role with regards to promoting good governance? (Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as to increase management accountability).

Personal Perception/View/Understanding on the above, in the form of a short response:

Statement 2: SASSA's management responsible for the internal audit function ensure that internal audit activities are aimed at addressing the risks that face the Agency?

Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 3: How often do SASSA's internal audit managers submit reports to the Agency's senior management detailing the risks that face the Agency from an internal audit point of view?
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 4: How do internal auditors in SASSA promote a culture of fraud risk awareness within the Agency? (A culture of risk awareness is a culture which proactively raises awareness, with regards to both internal and external fraud risks that face an institution).
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 5: Do internal auditors in SASSA evaluate the potential for fraud risks and ascertain common types of fraud associated with the institution? If so, how do they do this?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Evaluate the potential for fraud risk- • Ascertain common types of fraud associated with the institution-

1.3. Organisational Insights

Internal auditors are required to maintain expertise of the institutional environment, industry practices and factors specific to institutions they work for.

Statement 1: How is confidentiality as one of the aspects of SASSA's values, evident in the work of the Agency's internal auditors?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 2: How does SASSA's internal audit function assist the Agency in fulfilling its mission of managing quality social security services to suitable and potential beneficiaries, effectively (set objectives are met) and efficiently (without wasting resources)?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Assist the Agency in managing quality social security services to suitable and potential beneficiaries, effectively- • Assist the Agency in managing quality social security services to suitable and potential beneficiaries, efficiently-
Statement 3: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of complying with good governance principles (Governance in the public sector aims to ensure that government delivers services in an equitable, efficient, effective and affordable manner, as well as to increase management accountability)?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 4: How do internal auditors in SASSA assist the Agency in fulfilling its strategic objective of operational excellence? (Operational excellence seeks to continuously improve activities in the workplace).
Personal Perception/View/Understanding on the above, in the form of a short response:

1.4. Communication

The communication competency considers the impact that an internal auditor's communication has on others.

Statement 1: Do internal auditors in SASSA communicate in a positive manner in order to secure institution members' trust? (Communicating in a positive manner includes having the ability to convey both negative and positive messages).
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 2: Do internal auditors in SASSA promote open communication? If so, how do they do this?
Personal Perception/View/Understanding of the above in the form of a short response:

Statement 3: Do internal auditors in SASSA show others respect and customise messages to reflect the needs of the target audience? If so, how do they do this?
Personal Perception/View/Understanding on the following, in the form of a short response: <ul style="list-style-type: none"> • Show others respect- • Customise messages to reflect the needs of the target audience-
Statement 4: Do internal auditors in SASSA choose suitable forms of communication (verbal, non-verbal, visual, written), as deemed suitable to their different audiences?
Personal Perception/View/Understanding on the above in the form of a short response:
Statement 5: Do internal auditors in SASSA choose suitable forms of communication mediums (face to face, electronic, paper-based) as deemed suitable to their different audiences?
Personal Perception/View/Understanding of the above in the form of a short response:
Statement 6: Do internal auditors in SASSA discuss audit findings and their impacts professionally and confidently with senior managers and the CEO? If so, how do they do this?
Personal Perception/View/Understanding of the following in the form of a short response: <ul style="list-style-type: none"> • Senior managers- • CEO-
Statement 7: Do internal auditors in SASSA apply suitable communication skills during interviews? If so, how do they do this? (Suitable communication skills includes communication that is focused on relaying necessary information only, in a clear, simple and meaningful way).
Personal Perception/View/Understanding of the above in the form of a short response:

1.5. Persuasion and Collaboration

Persuasion and collaboration, considers an internal auditor's ability to persuade and motivate others.

Statement 1: There is effective cooperation between internal auditors in SASSA and external auditors (Auditor-General)?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 2: Internal auditors in SASSA have integrity, are competent, independent and objective all the time?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> • Have integrity-
<ul style="list-style-type: none"> • Are competent-
<ul style="list-style-type: none"> • Are independent-
<ul style="list-style-type: none"> • Are objective all the time-
<ul style="list-style-type: none"> • Statement 3: Do internal auditors in SASSA have difficulties accessing information they require to do their work? If so, what are these difficulties and what is done to address the difficulties?
Personal Perception/View/Understanding of the following, in the form of a short response:
<ul style="list-style-type: none"> • Are there obstacles? • What is done to eliminate the obstacles?

1.6. Critical Thinking

Critical thinking competency applies process analysis, and problem solving techniques.

Statement 1: Do internal auditors in SASSA objectively analyse and evaluate information before forming a judgement? If so, how do they do this?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 2: Do internal auditors in SASSA propose strategies to improve institutional processes? If so, how do they do this?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 3: Which methods do internal auditors in SASSA use to analyse and evaluate the efficiency and effectiveness of institutional processes?
Personal Perception/View/Understanding on the following, in the form of a short response:
<ul style="list-style-type: none"> Analyse and evaluate the efficiency of institutional processes-
<ul style="list-style-type: none"> Analyse and evaluate the effectiveness of institutional processes-
Statement 4: Do internal auditors in SASSA support management in finding practical solutions to address issues identified through audit activities? If so, how do they do this?
Personal Perception/View/Understanding of the above, in the form of a short response:

1.7. Internal Audit Delivery

Internal audit delivery, considers the process of delivering internal audit engagements.

Statement 1: Internal auditors in SASSA follow-up with management to make sure that management action items that arise from audits that have been conducted are effectively implemented?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 2: Internal auditors in SASSA follow-up with management to ensure that senior managers have accepted the risk of not implementing management actions from audits conducted?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 3: Internal auditors in SASSA manage all resources efficiently to make sure that engagement objectives are met?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 4: How do internal auditors in SASSA assess the information/evidence they collect in the course of their work?
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 5: What are the key elements that form part of the audit findings that are presented by internal auditors in SASSA?
Personal Perception/View/Understanding on the above, in the form of a short response:
Statement 6: The financial resources allocated to SASSA's internal audit function are adequate? (Adequate resources are sufficient resources needed for the work that the function has to carry out).
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 7: Senior management in SASSA support the work of the Agency's internal audit function through ensuring that the recommendations made by the function are implemented?:
Personal Perception/View/Understanding of the above, in the form of a short response:
Statement 8: SASSA's internal audit function is effective and efficient, that is, the function achieves its set objectives, and the objectives are achieved without wasting resources? If yes, please include examples, indicating what the function has done, that illustrates efficiency and effectiveness. If, not, please indicate how the function plans to

correct this?

Personal Perception on the following, in the form of a short response:

Internal audit function is effective-

Internal audit function is efficient-

Statement 9: SASSA's internal audit function operates from an *ex ante* perspective as opposed to an *post facto* perspective, that is, the function is proactive in coming up with internal control measures that are preventative in nature, as opposed to investigating issues that have already occurred?

Personal Perception/View/Understanding of the above, in the form of a short response:

APPENDIX 12: MEMBERS OF THE SUPPLY CHAIN MANAGEMENT TEAM WHO PARTICIPATED IN THE FOCUS GROUP DISCUSSION (10 MAY 2017)

Participant	Participant Name for Research Purposes
1. Acting general manager: supply chain management	Participant 1
2. Senior manager: acquisition	Participant 2
3. Assistant manager: acquisition	Participant 3
4. Manager: acquisition	Participant 4

APPENDIX 13: INTERVIEW SCHEDULE FOR FOCUS GROUP DISCUSSION

1. Internal Audit Effectiveness

Statement 1: Has the audit on the following risk been conducted? <i>Possible manipulation of Supply Chain Management (SCM) processes and PFMA prescripts by corrupt SASSA officials, which may unfairly benefit certain suppliers.</i> if so, when was it conducted?
Perceptions/Views:
Statement 2: Would you say the internal audit function was effective when they audited the above risk? Effectiveness refers to achieving set objectives. Please provide examples.
Perceptions/Views:
Statement 3: Describe how the shortcomings that led to the risk have been corrected as a result of the audit? Please provide examples.
Perceptions/Views:
Statement 4: What are the recommendations for improvement that were suggested by the internal audit function, following the audit on the above risk?
Perceptions/Views:
Statement 5: Would you say the way in which you service suppliers has improved as a result of the audit on the above risk? If so, describe these improvements.
Perceptions/Views:
Statement 6: Is the internal audit function effective?
Perceptions/Views:

APPENDIX14: REQUEST FOR SECONDARY SOURCES OF INFORMATION – INTERNAL AUDIT FUNCTION

Please provide the following:

1. Audit plan (indicating who participates in drawing it)
2. A charter that indicates the purpose, authority and IA activities.
 - 2.1. The frequency in which the charter is updated.
3. Follow-up plan or mechanism for IA opinions and recommendations.
4. The number of staff in the IA department, indicating: qualifications (including affiliations such as Certified Internal Audit (CIA)), salary level and years of experience in the IA function.
5. The criteria used in SASSA to appoint staff in the IA department.
6. The reporting line of head of the IA department (Chief Audit Executive).
7. The office in SASSA responsible for appointing the Chief Audit Executive or the senior audit manager.
8. The office that approves the budget for IA,
 - 8.1. The budget amount for IA in the current budget (Rand amount, and percentage of total SASSA budget).
9. The policies and procedures that guide the operation of the IA department.
10. Records of ongoing training undertaken by the internal audit department.
11. The following details regarding the audit committee:
 - 11.1. The number of members of the IA audit committee, indicating: qualifications (including affiliations such as CIA) and the composition (how many of the members are internal SASSA staff and how many are external members).
 - 11.2. The number of times the audit committee meets in a year.

**APPENDIX 15: RESPONSE FROM SASSA TO INFORMATION REQUESTED IN
APPENDIX 12 ABOVE (RECEIVED 28 AUGUST 2015)**

1. The Audit Plan is developed from the Risk Assessment Register that is developed by the Risk Management department. Internal Audit then consults with the Chief Executive Officer for finalization of the Plan. The plan is then sent to the Audit Committee for approval.
2. The Audit Policy (Charter for both the Audit Committee and Internal Audit) is reviewed annually.
3. The Audit follow ups are included as part of the annual plan.
4. The list of staff is attached however; we will provide the number of years of experience later.
5. The appointment is done in terms of the Department of Public Service Administration policies.
6. The Head of Internal Audit reports to the Chief Executive Officer (CEO).
7. The Audit Committee and CEO are involved in the appointment of the Head of Internal Audit. The appointment is done in terms of the Department of Public Service Administration policies.
8. The Chief Financial Officer holds a meeting with the Head of Internal Audit to determine the necessary budget for the function. The figures will be provided to you with number 4 on the list.
9. The Internal Audit utilizes the Standard as set by the Institute of Internal Auditors. The methodology for Internal Audit is attached.
10. The formal record will be provided with 4 above. The training is structured to cover almost all the officials and not individually focused.
11. Audit Committee list attached.
12. The number of scheduled meetings is 4 per annum, in addition, we have Special Audit Committee meetings to review the Financial Statements and the Annual Report as well as for the critical matters that affect the Agency.

APPENDIX 16: SASSA INTERNAL AUDIT STAFF

SASSA INTERNAL AUDIT STAFF, QUALIFICATIONS AND EXPERIENCE				
Designation	Qualification Obtained	Years of Experience	Course Scheduled	Course attend
Chief Audit Executive/General Manager: Internal Audit	BCom, Higher Diploma Computer Audit	16	N/A	N/A

SASSA INTERNAL AUDIT STAFF, QUALIFICATIONS AND EXPERIENCE				
Designation	Qualification Obtained	Years of Experience	Course Scheduled	Course attend
Specialist: Internal Audit	BTech Internal Audit	9	Auditing financial statements For Public Sector	Auditing Financial Statements Use GAAP Principles
Specialist: Internal Audit	BCompt Accounting	9	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Senior Manager: Internal Audit	BTech Internal Audit	26	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Specialist: Internal Audit	National Diploma Internal Audit and BTech Internal Audit	10	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Manager : Internal Audit	National Diploma Internal Audit	12	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Manager: Internal Audit	National Diploma Internal Audit	17	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Manager : Internal Audit	National Diploma Governance Finance	21	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Senior Manager: Internal Audit	National Diploma Internal Audit	17	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Manager : Internal Audit	National Diploma Internal Auditing; BTech Internal Auditing	12	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Senior Manager: Internal Audit	National Diploma State Accounts and Finance (Inland Revenue) and BTech Business Administration	32	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Specialist: Internal Audit	National Diploma Internal Audit and BTech Internal Audit	19	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Manager: ICT Audit	National Diploma Internal Auditing; General Internal Audit (GIA) and BTech Business Information Systems	10	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Specialist: Internal Audit	National Diploma Internal Auditing	9	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Specialist: Internal Audit	Senior Certificate	8	Auditing financial statements	Auditing Financial

SASSA INTERNAL AUDIT STAFF, QUALIFICATIONS AND EXPERIENCE				
Designation	Qualification Obtained	Years of Experience	Course Scheduled	Course attend
	and Bachelor of Commerce (Accounting)		For public Sector	Statements Use GAAP Principles
Practitioner: Internal Audit	National Diploma: Internal Auditing	3	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Practitioner: Internal Audit	BTech Internal Auditing	4	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Practitioner: Internal Audit	National Diploma: Internal Auditing	4	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Practitioner: Internal Audit	National Diploma: Internal Auditing	2	Auditing financial statements For public Sector	Auditing Financial Statements Use GAAP Principles
Specialist: Internal Audit	National Diploma: Internal Auditing	8	Auditing financial statements For public Sector	
Specialist: Internal Audit	BCom accounting	4	Auditing financial statements For public Sector	
Intern: Internal Audit	BCom Accounting	4 Months	Auditing financial statements For public Sector	
Intern: Internal Audit	National Diploma: Internal Auditing	4 Months	Auditing financial statements For public Sector	

APPENDIX 17: REQUEST FOR SECONDARY SOURCES OF INFORMATION PERTAINING TO SASSA’S FINANCIAL MISCONDUCT BOARD

Please provide the following:

1. The number of financial misconduct cases reported/you deal with per annum.
 - 1.1. A breakdown of the type of cases.
2. The sanctions imposed on the officials found guilty of financial misconduct.
3. An indication of how many of the cases were picked up by the internal audit function, if any and what the nature of financial misconduct picked-up by internal audit was?

APPENDIX 18: FEEDBACK FROM SASSA: INFORMATION REQUEST – FINANCIAL MISCONDUCT BOARD

Types of transgressions committed:

Cases of non-compliance consists of:	Cases of irregular expenditure consisted of:	Cases of fruitless and wasteful expenditure consisted of:
Payment not made in 30 days	Deviation from SCM policies and Treasury Regulations: PFMA without motivation	Damages to hired vehicles
Services rendered without purchased order (though approved)	No quotations obtained when procuring goods & services	Hotel –no shows
	Services rendered without approval and purchase order	Traffic fine admin fees
	Occupation of buildings with expired lease contracts	Interest payments
	Use of quotations instead of following the bidding process	Penalties & fines
		Accidents – repairs & losses

The sanctions imposed on the officials found guilty of financial misconduct.

- Some are required to pay for the damages or losses suffered by state
- Some are referred to the Labour relations department to take further appropriate action (especially if the Financial Misconduct Board feels that their actions were more than just contradicting the PFMA, or there could be fraud or other factors at play)

An indication of how many of the cases were picked up by the internal audit function, if any and what the nature of financial misconduct picked-up by internal audit was?

- There was one case picked up by the Internal Audit,
The case was in respect to irregular expenditure at one of the regional offices.

APPENDIX 19: SASSA AUDIT POLICY

APPENDIX 20: THESIS EDITING DECLARATION

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DECLARATION

I hereby certify that the thesis by **VAOLA TINYIKO SAMBO** was properly language edited but without viewing the final version.

The track changes function was used and the author was responsible for accepting the editor's changes and for finalising the reference list.

Title of thesis:

THE IMPLEMENTATION OF THE INTERNAL AUDIT PROVISIONS OF THE PUBLIC FINANCE MANAGEMENT ACT (ACT NO. 1 OF 1999): THE CASE OF THE SOUTH AFRICAN SOCIAL SECURITY AGENCY

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13 June 2018